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| Austria | Sch 20 | Indonesia | Rp 2500 | Portugal | Esc 90 |
| Bahrain | Din 0.650 | Italy | L 1500 | Saudi Arabia | Rls 6.00 |
| Belgium | BFr 45 | Japan | Y 550 | Singapore | S$ 4.10 |
| Canada | C$1.00 | Jordan | Fils 500 | Spain | Pta 125 |
| Cyprus | C£0.70 | Kuwait | Fils 500 | Sri Lanka | Rup 30 |
| Denmark | DKr 8.00 | Lebanon | L 35.00 | Sweden | SKr 7.00 |
| Egypt | E£1.00 | Luxembourg | LFr 45 | Switzerland | SFr 2.00 |
| Finland | Fmk 6.50 | Malaysia | Rgt 4.25 | Taiwan | NT$ 65 |
| France | FFr 5.00 | Mexico | Pes. 300 | Tunisia | Din 0.600 |
| Germany | DM 2.20 | Morocco | Dh 6.00 | Turkey | L 350 |
| Greece | Dr 80 | Netherlands | Fl 2.75 | U.A.E. | Dh 6.50 |
| Hong Kong | HK$ 12 | Norway | NKr 7.00 | U.S.A. | $1.00 |
| India | Rup. 15 | Philippines | Pes. 20 | | |


# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,968 — Tuesday July 1 1986 — D 8523 B


Moscow plants a red flag in the Pacific, Page 3

World news

## Soviets seek talks on Salt 2 decision

The Soviet Union has proposed a special meeting with the US in Geneva later this month to discuss President Ronald Reagan's decision to abandon the Salt 2 arms control treaty, according to US officials. The administration, which is reported to be divided on how to reply to the proposal, is to discuss its response this week.

Mr Mikhail Gorbachev, the Soviet leader, has criticised the US for obstructing progress in East-West disarmament talks, and chided western European Nato members for failing to moderate US policies.

He told the Polish Communist Party Congress that, despite a whole series of East bloc arms proposals this year, "the issue has not moved forward an inch." Page 2

### Chernobyl treatment

Soviet scientists seeking to clean up land contaminatred in the Chernobyl nuclear accident in April are considering chemical treatment of fields around the demaged power plant, Tass newsagency said.

### Cabinet shakeup

Canadian Prime Minister Brian Mulroney unveiled sweeping changes in his Cabinet including the appointment of Mr Don Mazankowski as deputy Prime Minister as part of a mid-term shakeup. Page 4

### Pope sees obstacle

Pope John Paul has told the Archbishop of Canterbury the ordination of women priests in some Anglican churches poses an "increasingly serious obstacle" to progress towards eventual reunion with Rome, the Vatican said.

### Royal visit

King Juan Carlos of Spain arrived in Dublin for a three-day state visit, the first by a Spanish head of state to Ireland.

### Hoffmann jailed

Alleged West German neo-Nazi Karl-Heinz Hoffmann was jailed for 9½ years in Nuremburg on assault, kidnap, forgery and arms offences, after a two-year trial.

### Police chief ousted

Peru's Government dismissed General Maximo Andres Martinez, the chief of the country's paramilitary Republican Guard police force three days after President Alan Garcia accused its members of executing at least 100 prison inmates.

### Italian arrested

Italian police in Naples arrested Pietro Vernengo, alleged to be a Mafia member involved in one of the largest heroin processing and shipping organisations in Sicily.

### Australians strike

Thousands of Australian dock workers began an indefinite strike, the first major industrial conflict since a wages authority ruling last week giving only minimal pay increases this year. Page 3

### Trophy withheld

American Merchant Marine Museum refused to give Richard Branson the Hales Owen trophy for the fastest Atlantic crossing, saying it was for liners, not "toy boats."

### Pasternak returns

Disgraced Soviet writer Boris Pasternak is to be honoured with a museum, and his banned novel Doctor Zhivago may be published. Page 2

### Punjab protest

Many thousands of Hindus closed their shops and business establishments in various towns in the north-western Indian state of Punjab to protest against the continued killings of members of their minority community by Sikh terrorists.

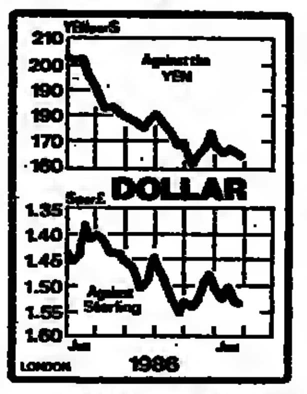
Business summary

## Japan's May trade surplus at $8bn

JAPAN'S trade surplus rose to a record $8.3bn in May, with exports up 24.2 per cent on the same month last year. Page 6

DOLLAR fell in London to DM 2.2015 (DM 2.2045); FFr 7.02 (FFr 7.03); SFr 1.7955 (SFr 1.8075), and Y163.70 (Y165.45). On Bank of England figures the dollar's index fell to 114.4 from 115.0. Page 29

STERLING rose in London to $1.5325 ($1.5295); DM 3.3750 (DM 3.3725); SFr 2.7525 (SFr 2.7650); FFr 10.7575 (FFr 10.7525) but fell to Y250.75 (Y253.00). The pound's exchange rate index remained unchanged at 76.2. Page 29




GOLD rose $3.5 to $347.50 on the London bullion market. It also rose in Zurich to $347.55 from $344.65. In New York, the Comex August settlement was $347.70. Page 28

LONDON equities made a slow start to the new trading account but the FT Ordinary index rose 12.7 to 1,367.1. Government stocks were marked lower. Page 36

TOKYO stocks returned to their record breaking ways. The Nikkei average rose 106.77 to 17,654.19. Page 36

WALL STREET: at 3pm, the Dow Jones industrial average was up 10.55 at 1895.81. Page 36

FRENCH Government has decided to reduce the maximum holding that foreigners will be allowed to have in newly privatised groups to 15 per cent. Page 2

ZURICH stock exchange today begins forward trading in Swiss bond warrants as a prelude to the introduction of a standardised traded-options system next year or in early 1988. Page 16

WING ON, troubled Hong Kong trading and financial group, is under investigation for possible violations of the territory's Companies Ordinance. Page 16

DAIMLER-BENZ, West German motor and industrial group, is planning a comprehensive restructuring of top management to mark its development into a broad-based high technology concern. Page 15

GREYHOUND, the US transport group, may have to abandon the inter-city bus market by the end of the year unless it can improve margins and win further concessions from unions. Page 15

PHILIPPINES Government commission formed to investigate companies linked to deposed President Marcos, seized all shares in the United Coconut Planters Bank. Page 17

CHICAGO Sun-Times' president and publisher Robert Page and an investor group led by Adler & Shaykin, New York-based management buy-out specialists, agreed to acquire the newspaper group from Rupert Murdoch for $145m. Page 15

DATA GENERAL, US computer group, unveiled a wide-ranging restructuring plan which includes an expansion of its North American sales and engineering operations and further staff cuts. Page 15

CLUB Mediterranée, French holidays group, increased profits for the half year to April from FFr 67m to FFr 82m ($11.7m) thanks to a strong improvement in the US. Page 15

**A number of the unit trust prices on pages 25-27 have not been updated because of a computer problem in London.**

# Eureka go-ahead for 62 projects worth $2.1bn

BY GUY DE JONQUIERES IN LONDON

SIXTY-TWO joint development projects between European companies, involving total spending of about $2.1bn, were approved yesterday by ministers from 18 European governments as part of the Eureka programme of high-technology collaboration.

"The rapidly developing momentum of Eureka has been confirmed and increased," said Mr Paul Channon, Britain's Trade and Industry Secretary, who chaired the meeting of about 40 ministers in London.

Eureka, which was first proposed by the French Government a year ago, is intended to improve the competitiveness of Europe's high-technology industries by encouraging joint development of commercial products and services by companies across Europe.

The projects approved yesterday are in addition to 10 approved last November. They range in size from a plan to develop new computer software tools worth 327m Ecu ($337m) to a scheme for reducing pollution levels in the Rhine basin valued at 400,000m Ecu.

The projects, which have lives of from two to 10 years, are mostly in computers, semiconductors and telecommunications. They also include ventures as varied as industrial ceramics, production of sunflower seeds and diagnosis of sexually transmitted diseases.

France is the most wiedely represented country in Eureka, with companies involved in 40 of the 62 new projects. It is followed by Britain, which has companies in 29 projects, and West Germany, which is participating in 15.

Eureka has no funds of its own, but many participating companies are receiving subsidies from their national governments. The French Government is paying 40 per cent of the FFrs 4bn ($568m) which French companies expect to spend on Eureka projects.

Mr Alain Madelin, France's Industry Minister, expected his Government's grants to total FFr 350m this year and to double next year.

The British Government will pay up to half the cost to UK companies of taking part in Eureka but has not said how much it expects to spend this year.

Italy has expressed concern that competition between governments to subsidise companies could run out of control and has called for full details of government support shcemes to be published.

However, Mr Channon dismissed suggestions that the level of public funding for Eureka projects might invite complaints or retaliation from Europe's trading partners, particularly the US and Japan.

The ministers also agreed to:

- Admit Iceland as Eureka's 19th member. However, an application from Yugoslavia was rejected on the grounds that it does not have a market economy.
- Establish a small Eureka secretariat in Brussels, to be head by Mr Xavier Fels, a French official. It will act mainly as a clearing-house for projects.
- Study further ways of obtaining private venture capital for Eureka projects.

The ministers said in a communiqué that Eureka must be linked to the creation of a genuine Common Market. This point was emphasized in an opening address by Mrs Margaret Thatcher, the British Prime Minister, who said the programme must be led by private industry, not by governments.

Chairmanship of Eureka passed last night to Sweden from Britain. The next ministerial meeting is expected to be held in mid-December in Stockholm.

Project details, Page 9

# AMC to assemble cars for Chrysler in US

BY PAUL TAYLOR IN NEW YORK

AMC, the troubled fourth largest US carmaker which is 46.1 per cent owned by Renault of France, is to assemble up to 150,000 full-sized four-wheel drive cars a year for Chrysler, the number three US car group.

The unusual contract assembly deal involves AMC's aged plant at Kenosha, Wisconsin. It is believed to be the first of its type among the big four US carmakers and reflects the contrasting fortunes of Chrysler and AMC, which has lost money in four of the past five years – including $125m last year alone.

AMC has excess capacity because of a sharp slowdown this year in sales of its Renault Alliance and Encore sub-compact cars which are both produced at Kenosha. Chrysler, however, needs another assembly plant to produce its three dislodged 'M' car models which are currently made at Fenton, Missouri. Chrysler announced recently that the Fenton plant will be converted to produce its popular Dodge Caravan and Plymouth Voyager mini-van models.

Chrysler had planned to end production of the 'M'-body cars last year but continued production after unexpectedly strong sales.

The Kenosha plant, one of the oldest car assembly plants in the US, was originally built as a bed and mattress factory in the 1890s. The facility, which has a long history of industrial idle for much of this year. AMC had announced plans to close it permanently by 1990.

Under the terms of a memorandum of understanding, between the two companies the plant will assemble Chrysler's Fifth Avenue, Dodge Diplomat and Plymouth Gran Fury cars beginning early next year alongside the Renault Alliance. Chrysler confirmed yesterday that it had been seeking a plant that could produce up to 150,000 cars a year and that the contract with AMC, if finally, will run for "a number of years."

AMC will provide manning for the plant and said yesterday that it would recall 3,200 hourly and 300 salaried employees at Kenosha and Milwaukee for the project. The company added that preparation for production of the Chrysler cars would begin immediately.

About 4,000 workers from the Kenosha plant are permanently laid off at present. It produced as many as 500,000 cars a year in the early 1960s, makes only about 90,000.

The companies did not disclose any financial details, which Chrysler said were "confidential," however, there appears to be a major boost for the depressed town of Kenosha, AMC and AMC's controlling shareholder, Renault, which has pumped more than $750m into the US car-maker to revive its product line since 1979.

In the first five months this year AMC, hurt by a fiercely competitive small car market, reported a 44 per cent decline in domestic manufactured car sales to 29,480 it reported a $18.9m first-quarter net loss, down from $29m in the 1985 period. Sales fell slightly in $918.2m, the narrower loss largely reflected drastic cost-cutting programmes.

Daimler-Benz reshuffle, Page 15

# Mexico expected to meet debt interest payments on schedule

BY OUR FOREIGN STAFF

MEXICO is expected to continue meeting interest payments on its foreign debt due this week despite its failure over the weekend to clinch an agreement with the International Monetary Fund on an economic policy programme that would unblock several billion dollars in fresh credit.

As confusion reigned among international banks yesterday over the country's intentions on its $97bn foreign debt, Mexican officials remained tight-lipped about the result of talks, though a statement was expected in Mexico late last night.

Senior bankers said earlier reports that Mexico faced a debt service payment of more than $1bn this week were erroneous. In fact the payment is 6much smaller, in the region of $100m; and indications from Mexico are that it will be paid on time.

Mr Gustavo Petricioli, Mexico's Finance Minister, spent yesterday conferring with other senior Mexican officials following his return from Washington, where monetary officials said the differences between the two sides on an economic policy agreement appeared to be narrowing.

But they added that a final agreement on an IMF programme could still be weeks away. Much depends on how far President Miguel de la Madrid is prepared to go in cutting his government's budget deficit, now running at around 13 per cent of gross domestic product.

Senior Mexican officials were clearly optimistic that agreement in principal with the IMF could be announced shortly, although they were under strict instructions from the President's office not to reveal the contents of the Washington talks.

It is nevertheless being assumed in Mexico that last week's negotiations will lead to the rapid release of new finance, even before Mexico starts substantive negotiations with its creditor banks, from whom it is seeking concessions which would lighten its debt service burden.

A new agreement with the IMF would be worth about $1bn. Mexico is still expecting two $500m loans from the World Bank, one to support its import liberalisation programme, and the other to help housing reconstruction after last September's earthquakes.

Mexico looks to IMF, Page 4
Lombard, Page 13

# $ falls sharply despite Japanese support

By Robin Pauley in London

THE DOLLAR fell sharply against the yen yesterday in spite of heavy intervention by the Bank of Japan anxious to prevent a dollar collapse just before next Sunday's general election.

The dollar slid under Y164 for the first time in six weeks after official figures in Tokyo showed a further substantial rise in Japan's record trade surplus. The announcement that Japan's surplus continues to rise remorselessly followed hard on the heels of Friday's US trade figures, which showed that the deficit level had deteriorated even more than expected.

Most of the pressure against the dollar was in Tokyo where persistent selling took the currency down to close at Y163.95 against Y165.85 on Friday. The fall occurred in spite of some of the heaviest intervention seen for some time by the Bank of Japan, which spent around $400m on the US currency in an attempt to stop the yen rising too far too quickly.

Leaders of significant sections of Japanese industry have already complained that the yen is far too highly valued and is ruining their competitive edge. Further rises in its value so close to the election would be very embarrassing to Mr Yasuhiro Nakasone, the Prime Minister, who is seeking re-election.

The dollar has now fallen by about 40 per cent against the yen since last September but has been relatively stable in recent weeks, climbing back from a low of Y159.99 since May 12.

The dollar lost a little ground against most other major currencies, although the markets other than Tokyo were generally quiet.

There was some confusion surrounding cryptic remarks made by Mr Karl Otto Pöhl, president of the Bundesbank, who indicated both that the West German central bank was reluctant to cut interest rates and that there would be some good news to report on West German monetary growth later this week.

There was some speculation in the market that this could mean that the discount rate will remain unchanged but that the Lombard rate – usually 1 percentage point above discount but 2 percentage points higher since March 6 – might be cut if the annual rate of monetary growth has fallen back closer to the Bundesbank target range of 3.5 to 5.5 per cent. The growth rate has recently been 7 per cent and has been as high as 9 per cent.

A cut in West German interest rates might pave the way for a further cut in UK rates.

Currencies, Page 29

# Opec quotas deadlock sends prices down

BY RICHARD JOHNS IN BRIONI AND LUCY KELLAWAY IN LONDON

MEMBERS of the Organisation of Petroleum Exporting Countries are to meet again in Geneva on July 28 for another attempt to agree on a ceiling for collective output and individual quotas following their failure in Brioni, Yugoslavia, to reach a consensus on either issue.

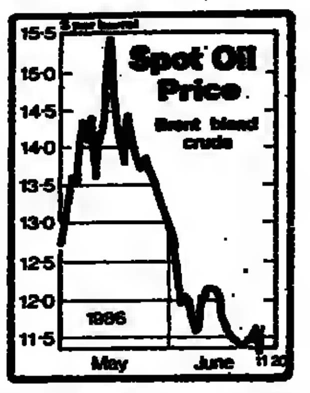
After the conference ended yesterday chief delegates took back to their governments detailed recommendations for national quotas drawn up by Dr Subroto, the Indonesian Energy Minister, based on the views of all member-states on how the total should be distributed.

The results of what was said to be a complicated computerised exercice were kept a closely guarded secret. Mr Rilwanu Lukman, Nigeria's Oil Minister who is current president of Opec, said that the aim was to give all 13 members "a fair and reasonable share."

The oil markets seemed in no doubt that the meeting had not been a succes. In London, the price of Brent crude fell by about 40 cents a barrel to $11.20 and in New York, West Texas Intermediate dropped 50 cents to $12.90.

However, the market had been preparing itself for such an outcome for over a month, and the prospect of an agreement which contained no specific quotas has been one of the causes of a fall in oil price of $3 over the past six weeks.

Yesterday, dealers warned that the lack of any individual production quotas did not bode well for the third quarter, any many now fear that the oil price may temporarily fall below $10 a barrel.




One trader summed up the general mood by saying: "Again Opec has given us something that tastes OK, but has left us with nothing in our stomachs."

BP struck out against the pesimistic mood by forecasting a rise in prices. Mr Basil Butler, who today becomes one of BP's six managing directors, told analysts in Zurich that be expected the price of Brent to average $13 in the second half of the year, compared with $12 in the

Continued on Page 14
Editorial comment, Page 12

# EEC ministers split on cheap air fares

BY PAUL CHEESERIGHT IN LUXEMBOURG

THE ANGLO-DUTCH bid to bring about cheaper air fares through European Economic Community (EEC) agreement on measures to liberalise the aviation industry foundered yesterday.

Community transport ministers, meeting in Luxembourg were split on the liberalisation issue, and could agree only on a bland and vague confirmation of the need for "a balanced set of instruments promoting increased competition in intra-Community air services as regards tariffs, capacity and market entry, in conformity with the competition rules."

Mr John Moore, the British Transport Secretary, who takes over the presidency of the Community transport ministers today, acknowledged that any attempt to negotiate liberalisation over the next six months would be tough. "I don't have any illusion about the difficulty of moving it forward," he said.

Yesterday Mr Moore put forward proposals, details of which were not revealed, that would provide for the implementation, by December 1, of new Community rules for a progressive relaxation of existing controls over fares policies and controls on capacity (the number of seats airlines can offer on given routes).

The proposals were reported to have included plans for a progressive increase in freedom of access – the right of airlines to introduce new services without government interference.

Collectively, these UK proposals amount to a considerable advance on anything yet proposed either by the Commission itself or by the European Civil Aviation Conference

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CONTENTS

# France to lower foreign holdings in privatised companies

BY DAVID HOUSEGO IN PARIS

THE French Government is to restrict to 15 per cent the maximum foreign holding in newly privatised companies.

The surprise announcement yesterday by Mr Edouard Balladur, the Finance Minister, reflects growing government sensitiveness to Socialist charges that denationalisation could bring increased foreign control over France's state-owned banks, insurance and industrial groups. Up to now ministers here spoken of a 20 per cent ceiling.

Saint-Gobain, the state-owned glass and engineering group, is currently raising FFr 2.4bn (£223m) in fresh capital through an issue of non-voting shares with a 20 per cent ceiling on foreigners' holdings. The issue was seen as setting the pattern for eventual privatisation.

Mr Balladur, who was speaking to the American Chamber of Commerce in Paris, said the limits would be temporary but did not specify over what period. He also indicated separately that a further substantial step towards ending foreign exchange controls was likely before the end of the year, with authorisation for French residents to open accounts abroad.

The only substantive foreign exchange restrictions which remain cover borrowing in francs by non-residents and the ban on French residents opening accounts abroad.

The minister also appeared to rule out any further lowering of French interest rates unless this was part of concerted international action.

His announcement of the new ceiling on foreign holdings comes in the wake of the emphasis put by the Constitutional Council — the senior judicial body in France which reviews legislation — on maintaining "national independence" during the privatisation process. It also follows the threat of what could be a politically embarrassing campaign by the Socialists if foreigners obtained a significant stake in French industry or the banking system.

More detailed analysis of the Council's ruling on the enabling legislation that permits privatisation has revealed that it could tie the Government's hands more than had been supposed.

The Council ruled that privatisation must be on the basis of an independent assessment of the value of state-owned groups. Up to now, the government had foreseen a consultative role for the committee of "wise men" set up last week to evaluate groups to be privatised. The ruling means the seven-man committee will determine the offer price.

# Moscow seeks meeting with US on Salt

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE SOVIET UNION has proposed a special meeting with the US in Geneva later this month to discuss President Ronald Reagan's decision to abandon the Salt 2 arms control treaty, according to officials here.

The Administration, which is divided on how to reply to the proposal, is to discuss its response this week, the New York Times reported yesterday. While some senior officials favoured a positive response, the Pentagon was reported to be critical of the idea.

The Soviet proposal is for a special session of the Standing Consultative Commission, a group of Soviet and US experts which monitors the two countries' adherence to arms control treaties and considers allegations of violations.

Moscow, which has never before sought a special session of the commission, has asked that it meet from July 22. The commission usually holds two sessions a year, and would not normally meet again until late September.

The US asked for a special session in the summer of 1983 to discuss alleged Soviet violations of the 1972 Anti-Ballistic Missile (ABM) treaty. Moscow turned down the request, on the grounds that a regular meeting was only a few weeks away.

The Administration is divided over whether the Soviet request is part of a wider propaganda campaign to discredit Mr Reagan's arms control policy, or whether it is a serious effort to clarify his position on Salt 2.

Mr Reagan announced at the end of May that he would no longer be bound by the limits set by the 1979 treaty, which has never been ratified by the US Senate, but officials have also suggested that the US may still abide by the treaty's restrictions under certain conditions.

Meanwhile, the Administration is "seriously considering" a Soviet compromise offer on intermediate-range missiles — the US ground-launched cruise and Pershing 2 and the Soviet SS-20 — according to a senior official. Any US counter-offer, however, would not be ready for several weeks and might not be given to Moscow until the Geneva arms talks reconvene in September.

Although the US had originally hoped to hold the next superpower summit in Washington this year, there was now a feeling that it did not matter too much if the meeting slipped to January, the official added.

**Christopher Bobinski adds from Warsaw:** Mr Mikhail Gorbachev yesterday criticised the US for obstructing progress in East-West disarmament talks, and chided European Nato members for failing to moderate Washington policies. He told the Polish Communist Party congress here that despite a whole series of East bloc arms proposals this year, "the issue has not moved forward an inch."

The US decision on Salt 2, moreover, had "released the final brakes on the arms race."

Blaming the West Europeans for following US administration policies, Mr Gorbachev said he was not trying to split the US from Europe. "In all our talks we take as a starting point the political and military realities of the European continent."

He used the Chernobyl nuclear power station accident to underline the dangers of nuclear conflict. He thanked Poles for their expressions of "solidarity with our misfortune which also affected you," a reference to the radio-active fallout which swept across Poland after the accident.

Mr Gorbachev said the present US stance could not be "reconciled with the spirit of the agreement reached last year" at the Geneva summit. "We are for a dialogue," he added, "but it has to be a dialogue in which both sides achieve concrete effect."

He appealed to the West to consider seriously Soviet proposals on medium range nuclear weapons.

# Soviet literature opens new chapter

THE SOVIET Writers' Union, which expelled Boris Pasternak after his novel "Doctor Zhivago" was published in the West, has voted to honour him with a museum and may get the banned book published in the Soviet Union, Yevgeny Yevtushenko, the poet, said yesterday, AP reports from Moscow.

The decision to honour Pasternak, who was prevented from accepting the 1958 Nobel prize for literature and died in disgrace in 1960, was one of several moves at last week's Writers' Union congress that could presage changes in Soviet literature.

Mr Yevtushenko said that he gave the congress a letter signed by 40 writers asking that a Pasternak museum be established. The congress approved the letter, he said, and it will now be acted on by the Union's administration.

This is the most decisive step yet by Soviet authorities to acknowledge Pasternak, whom Mr Yevtushenko described as "one of the best poets in the whole history of Russian poetry."

It also ends a long controversy over Pasternak's country home in the village of Peredelkino outside Moscow. Pasternak admirers make pilgrimages to the writer's grave in the village churchyard, often leaving there for hours and reading his poetry.

After Pasternak's death, his family maintained the sprawling, two-storey dacha as an unofficial museum. In the summer of 1984, however, the writer's son Yevgeny lost a two-year court battle to keep the dacha—owned by the Writers' Union—and it was stripped bare.

Rumours among Moscow intellectuals said the dacha was to pass to the writer Chingiz Aitmatov, but the latter firmly denied yesterday that he would occupy the house. "We would rather keep this house as a museum for that great poet," he said.

It remains unclear, however, whether "Doctor Zhivago," banned for its sympathetic portrayal of Russians who opposed the 1917 Revolution, will be published. Mr Yevtushenko made clear yesterday that he would favour publication.

Fellow writer Vitaly Korotich, who edits the weekly magazine Ogonyek, also suggested the time for publication has come, but made clear that this depended on Glavlit, the organisation censoring Soviet literature.

Changes have become apparent in the Soviet arts since Mr Mikhail Gorbachev became Communist party leader almost 16 months ago.

While leaving censorship in place and party supremacy unchallenged, the new leadership has allowed plays, books and films that question some aspects of the past and present more forcefully than in the previous two decades.

There have been also changes in people overseeing the party and state cultural apparatus. The key post of Culture Minister is vacant following the removal of Mr Pyotr Demichev, an engineer who held the job for 12 years, to the post of Deputy President.

Last month, the Film Workers' Union elected as its leader Mr Elem Klimov, a director whose works have been banned by censors.

The Writers' Union followed suit last week by removing Georgy Markov, the union's first secretary for 15 years, and replacing him by Vladimir Karpov, the 64-year-old editor of the literary magazine Novy Mir.

He and a handful of other reform-minded writers were elected to a special forum to run the Union and are considered more likely to change Soviet literature than Mr Markov, a 75-year-old hardliner who led official attacks on the exiled writer Alexander Solzhenitsyn.

A third of the 63-member secretariat elected by the congress to run the Union are new. They include some figures viewed in the past as rebels, such as Mr. Yevtushenko himself, and fellow poets Andrei Voznesensky, Bulat Okudzhava and Bella Akhmadulina.

# Spanish opposition to split

By Tom Burns in Madrid

MR OSCAR ALZAGA, the leader of a Spanish Christian Democrat party which is a junior partner in the opposition coalition, announced yesterday that he and his supporters intended to sit separately in the new Parliament when it opens in two weeks.

The decision taken by Mr Alzaga's Partido Democrata Popular (PDP) followed a virulent post-mortem by the Christian Democrats of the electoral results.

Mr Alzaga, reviewing the strategy of Coalición Popular, Spain's centre-right opposition, said that under the present strategy, the centre-right opposition was "permanently excluded" from power.

In the June 22 polls, the Socialist Party, led by Mr Felipe Gonzalez, Prime Minister, retained an outright majority in Congress with 184 seats in the 350-member assembly and Coalición Popular won 105 seats; one less than it held in the 1982 elections.

The PDP decision announced by Mr Alzaga is an implicit rejection of Mr Manuel Fraga, the hitherto dominant figure of Spanish conservatism, whose party, Alianza Popular, is the main component of the centre-right opposition.

Mr Alzaga intends to have the 21 PDP members elected to Congress on the Coalición Popular ticket form their own parliamentary group. In order to achieve this he must first persuade other political parties, including Alianza Popular, to agree to a change of rules governing parliamentary representation.

At present, members of a party elected as part of a coalition are barred from forming their own parliamentary group. Mr Alzaga indicated that if he failed to change the ruling he and his supporters would "cross the floor of the House" anyway and join the so-called "mixed" parliamentary group in Congress, which is formed by members of minority parties that lack the electoral backing necessary to form a fully-fledged group in Congress.

Mr Alzaga's stand has infuriated rank-and-file Alianza Popular members who accuse the PDP of riding in the slipstream of Mr Fraga's leadership in order to gain seats in Congress.

Under the electoral pact that brought together the mainstream conservatives of Alianza Popular with the PDP and with a small liberal party, the junior partners in the coalition were offered a number of "safe" seats in the elections.

Mr Fraga's Alianza Popular party is due to hold its post-mortem shortly and this is likely to prove no less controversial.

Last week's elections were the fourth straight defeat in national polls for the conservative leader.

# Poehl rejects call for interest rates cut

BY WILLIAM DULLFORCE IN ZURICH

THE BUNDESBANK'S president, Dr Karl Otto Poehl, yesterday rejected calls for more government spending and lower interest rates at a monetary symposium here but he said the West German central bank expects to be able to announce good news on the money supply on Thursday.

Dr Poehl did not refer directly to reports that the bank's council might have to raise interest rates in order to choke off excess liquidity in the economy. But his remarks can be read as discounting the possibility.

The money supply had been overshooting the Bundesbank's target for some time, he acknowledged, but the situation was "getting better." On Thursday the council undertakes its regular half yearly examination of money supply developments.

He was speaking in Zurich to an international "working round of exchange rate and co-ordination" at which top financial officials, central bankers, parliamentarians and economists have discussed international monetary reform and economic policy co-ordination.

In contrast to the pressure to raise its interest rates reportedly generated by domestic money supply movements, West Germany was strongly urged in Zurich to lead another concerted cut in international interest rates. Dr Poehl rejected these urgings yesterday as Mr Hans Tietmeyer, State Secretary at the West German Finance Ministry, had done.

West Germany had initiated the concerted reduction in rates of last March, Dr Poehl recalled. But following the realignment of currencies in the European monetary system, the D-mark had remained close to its lower limit for some time and a further reduction of interest rates had been inconceivable.

The Zurich conference was organised on the initiative of Senator Bill Bradley and Congressman Jack Kemp, two influential US politicians who have been trying to generate political backing for a reform of the current freely floating exchange rate system.

Dr Poehl yesterday emphasised West German scepticism about proposals to tie rates to target or reference zones, as advocated by the French. Countries, including the US and Japan, which would have to carry the burden of defending fixed currency rates, were not ready to accept the consequences for their domestic policies, he said.

The main threat to the stability of the international monetary system would for some time be the huge US current account deficit. The US had become a net debtor country for the first time and would build up foreign debt of some $500bn by the end of the decade.

The conference came close to consensus that the freely floating exchange rate system should be abandoned and that a co-ordinated cut in interest rates was needed. But no country was ready to lead the interest rate cut, and a wide variety of alternatives was suggested for a new exchange system. They ranged from a return to a gold standard to the use of a commodity price index as an anchor and to France's reference zones.

Finance ministry officials and central bankers were, in the phrase of Mr Kemp, "disengaged" and the discussion of reforms was left mostly to the parliamentarians and economists.

One of the most heartfelt statements in favour of a more stable exchange rate system came from Mr Akio Morita, chairman of Sony. He emphasised the impossibility for industrialists to decide on large investments and locations for new plants while exchange rates were so volatile.

# Revelations by court bring Normed closures closer

BY OUR PARIS CORRESPONDENT

THE CLOSURE of one or more of the shipyards belonging to the French Normed group seemed increasingly inevitable yesterday after the depressing picture of the group drawn yesterday by the Paris commercial court.

The court appointed an administrator to see what could be salvaged from the group which filed for bankruptcy last week after the government cut off cash assistance to it. The court revealed that state aid to Normed had amounted to FFr 3bn (£280m) in 1984 and FFr 1.5bn in 1985, compared with turnover last year of FFr 2.1bn.

Normed employs 6,800 people and runs three shipyards—two on the Mediterranean and one at Dunkirk in the north.

The president of the court said that he did not think the group could survive once it had completed work currently in hand. He said the situation was worse than the most pessimistic forecasts. On this basis the most vulnerable of the three yards is Dunkirk which is completing an order for a rail ferry.

In a move seen as foreshadowing closures, Mr Alain Madelin, the Industry Minister, announced last week redundancy and retraining terms almost unmatched in French industry. Workers are being offered either FFr 200,000 in cash or a two-year retraining course at 70 per cent of previous pay. Only steelworkers so far have won such a generous settlement. Mr Madelin is expected to elaborate on the details this week.

# Polish party leader basks in Gorbachev's approval

BY CHRISTOPHER BOBINSKI IN WARSAW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday congratulated Poland's General Wojciech Jaruzelski for crushing the Solidarity movement. He hinted, however, that Communist countries must search for ways to modify their economic and political systems if crises similar to the Polish one were to be avoided. His fulsome praise for the general, who had "the ability to find solutions to the most complex of problems," is an important political boost for Poland's party leader. It explains the ease with which he has been able recently to remove rivals such as Mr Stefan Olszowski, once a challenger for the top party post and now not even a delegate to the party congress.

Speaking at the Polish party congress, Mr Gorbachev gave the most authoritative Soviet analysis of the Solidarity era which, he said, had come about because the workers had protested against "the formations in the Socialistic system and not socialism itself." This justified discontent had been used by Socialism's enemies "for their own ends," he said.

He stressed that the basis of the Socialist system continued to be a Communist party with a monopoly of power but in tune with the working class.

But in remarks which will put dogmatic conservatives throughout the East bloc on the defensive, Mr Gorbachev said that the Polish experience had been of "universal and international significance."

"Socialism must constantly renew itself," he said, and this issue is now on the agenda. Otherwise, societies will stagnate, barriers to progress will arise and economic and social problems will mount to dangerous proportions."

As he was speaking Poland's bishops issued a statement effectively calling for political changes which would allow a Solidarity-type opposition to play a legal role independently of the Communist party. Such a change, they said, would be a lasting solution to the problem of political prisoners.

# EEC ministers take step to free road haulage market

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN Community transport ministers yesterday took a decisive step towards reaching a free road haulage market by 1992.

They agreed that the number of permits issued to haulage companies enabling them to pick up goods wherever they like in the Community would be increased by an annual 40 per cent compound a year.

At the same time, they ended two decades of dispute about truck weights by accepting as the Community norm from 1992 a maximum weight on the drive axle of 11.5 tonnes in Continental Europe and 10.5 tonnes in the UK and Ireland.

This means that every country in the Community is obliged to allow on its roads trucks within those maximum weights. Current national drive axle maximum weights vary from 10 to 13 tonnes.

The two measures are part of the movement completely to free the road haulage market by the time a Europe without trade barriers is supposed to exist in 1992.

The transport ministers accepted this target last November in response to European Court of Justice criticism of their failure to provide for the free provision of transport services.

At present, only about 15 per cent of cross-border truck traffic is covered by the Community permit, according to European Commission estimates. Most traffic is regulated by bilateral national agreements on an annual basis.

From 1992 there will be no bilateral agreements. Meanwhile, the Twelve have agreed that the number of permits issued under such arrangements will be adjusted according to need.

The increase in the number of Community permits, starting from 1987 off a base of 7,437 permits issued this year, will be accompanied by an effort to eliminate trade distortions covered by different fuel, vehicle and road tax practices throughout the Community.

This was agreed in answer to West German complaints, frequently voiced in the transport debate, that while its autobahns are free, its trucks have to pay tolls in countries such as France.

By increasing the number of Community permits, as Britain and the Netherlands have constantly urged, waste in the road haulage industry should be gradually cut. The Commission has estimated that under the present, largely bilateral system, up to 30 per cent of trucks are returning to base empty.

When the system is completely freed, Community permits will be issued to all who demand them, provided the applying companies can demonstrate professional competence and solvency.

# Von Galen move may speed end of trial

By David Brown in Frankfurt

COUNT Ferdinand von Galen, the former managing partner of Schroeder Muenchmeyer Hengst and Co (SMH), yesterday admitted to a breach of trust, possibly setting the stage for an early conclusion to the trial arising from the bank's near-collapse.

Both defence and prosecution have agreed not to call further witnesses in the five-month-old trial, and a decision to drop some of the charges against Count von Galen and begin the summing-up could be taken as early as this Thursday.

Count von Galen was head of SMH in the period before its near-collapse in late 1983—one of the worst financial débacles in West Germany since World War II. It was saved at a cost of some DM 700m (£179m) by a consortium of West German banks, with its healthy divisions sold to Lloyds Bank of the UK.

He continued yesterday to deny charges of fraud against SMH's creditor banks, however, accepting only "moral responsibility" in the affair.

# Mergers 'vital to European competitiveness'

BY LESLIE COLITT IN BERLIN

SENIOR executives of two large European companies told an international cartel conference yesterday that European enterprises would not be able to compete effectively in future without entering into partnerships and mergers.

Mr Edzard Reuter, financial director of Daimler-Benz, which recently acquired AEG, the second largest West German electricals group, said a unified European "home market" could trigger a considerable structural change which would make large mergers "useful, necessary and justifiable."

Dr Manfred Caspari, director-general for competition in the European Commission, warned that countries with a high degree of industrial concentration were not necessarily more effective competitors. Britain, for instance, with a relatively high industrial concentration, had lost the largest share of the markets.

Small and medium-sized companies in the region of Swabia in West Germany, he said, were often so highly specialised that their shares of the world market were more than 30 per cent. He wondered whether they would have such market shares if they were only "divisions in a mammoth group."

Dr Otto Schlecht, state secretary in the West German Economics Ministry, agreed that size alone was not a guarantee of international competitiveness or of top performance in high technology. On the other hand, it was "very dubious" to make sheer size the object of anti-trust legislation.

# Weizsaecker cements ties of friendship with Bonn's best friend

## West German President will receive a warm welcome in Britain today. **Rupert Cornwell** reports

PRESIDENT Richard von Weizsaecker's visit to Britain today should be very different from October 1958, when Mr Theodor Heuss became the first President of modern West Germany to pay an official visit to Britain after the war.

Academic, journalist and unrelenting opponent of the Nazi regime, the 74-year-old Mr Heuss was under no illusion that memories of a recent past hung over feelings between the two countries.

His official reception left nothing to be desired. But the mood of the public was cold and distant. "Eighty per cent of the applause," he is said to have remarked after travelling in a ceremonial carriage with Queen Elizabeth, "was for the British Queen, 15 per cent for the horses and maybe 5 per cent for me."

President von Weizsaecker is unlikely to have reason to make similar complaint when today he follows in Mr Heuss' footsteps. More perhaps with Britain than with any of its erstwhile enemies, West Germany has achieved a normal and natural reconciliation. Relations between them, cemented by the Atlantic Alliance and the Common Market, are closer than ever before.

For the first time, during the four-day official segment of his visit, Mr von Weizsaecker will be paid the honour, accorded to only four foreign heads of state before him, of addressing a joint session of both Houses of Parliament. His speech and that of the Queen at tonight's Buckingham Palace banquet will be broadcast live in West Germany.

As long ago as 1983, an opinion poll showed that Britons regarded West Germany as their best friend in Europe. Even though the decidedly Anglophile Chancellor Helmut Schmidt has been succeeded by Mr Helmut Kohl, so publicly committed to a special German friendship with France, those ties have not ceased to multiply.

One small but significant part of the explanation may be Mr von Weizsaecker. Since his election in May 1984, by the largest margin since that of Mr Heuss 30 years earlier, the 66-year-old President has changed the perception of his office. He remains constitutionally a figurehead. But, to an extent unmatched by any of his predecessors, he has become the spokesman, even conscience, of his country.

> He is likely to dwell on the importance of close bilateral links in the wider perspective of Europe's future, not least in its dealings with the US

Circumstances, not least the gap left by Mr Kohl's huge incapacity to inspire, have certainly played a part. But at any time, surely, the devoutly Christian Mr Von Weizsaecker, with his innate liberalism, acute sense of history and the ability to say uncomfortable things with grace and dignity, would have made a notable impact.

The sense of history derives from personal experience. Before the war, he studied in Berlin, Berne, Oxford and Grenoble. That first visit to England, for six months in 1937, left an indelible impression. It was the time of the coronation of George VI, the father of his hostess today, and Mr von Weizsaecker was even at Wimbledon to see his compatriot Gottfried von Cramm lose the final.

For a young German of 17, it was a difficult time. "The isolation of the Nazi regime was practically complete," he remembers. "I lived with an English family for a while and having a German in the house was a real problem for them. Neighbours wouldn't invite them if I came as well, while they refused to go without me."

Then came the war. Mr von Weizsaecker, an officer with the 9th Potsdam infantry regiment, marched into Poland on the first day of the war. On the second, he saw his alder brother die in battle. He fought until wounded almost at the end, in 1945. Afterwards, as a young lawyer, he defended his father, who was briefly jailed for war crimes at Nuremburg.

By the mid 1950s, he had joined the Christian Democrat Party (CDU) and from 1969 was a member both of the Bundestag and of the synod and council of the German Protestant Church. But 12 years later he abandoned parliament in Bonn to become governing Mayor of Berlin, at the very fissure which divides both Germany and Europe. Such was his record there, that when he was put forward by the CDU for the federal presidency, he was elected with the support of the opposition Social Democrats as well.

His reputation derives, above all, from one event: his speech on May 8 1985, commemorating the 40th anniversary of the collapse of the Third Reich.

After the squalid debate over President Reagan's visit to the war cemetery at Bitburg, it hit precisely the right note in its unflinching acceptance of the German past. The war's end, he argued, should be regarded as a liberation—and for many West Germans, the speech itself was a catharsis, another liberation.

Its echoes have reverberated around the world. Over 1.5m copies have been printed. Records and cassettes of it have become best sellers, while translations have been made into 14 languages, including English, Russian and Polish. Mr von Weizsaecker was surprised by the speech's impact. But it is perhaps the largest single reason why a German President will be addressing parliament—albeit in immaculate English.

The past, however, will not be his main theme tomorrow, nor even Anglo-German relations. "Remember," he says, "in the royal gallery of the Palace of Westminster where I'll be speaking, there's a picture of Wellington and Blucher (the Prussian commander), shaking hands on the battlefield of Waterloo."

In other words, and despite two world wars this century, history has seen to it that there is not the same need for ceremonial reconciliation between Britain and Germany as between France and Germany. Rather, Mr von Weizsaecker is likely to dwell on the importance of close bilateral links in the wider perspective of Europe's future, not least in its dealings with the US.

"The tendency towards unilateralism in the US is growing, because the Americans have the impression that Europe doesn't use the potential it has, that it prefers the quiet life and political abdication," he says. "If we can achieve a greater political unit, then this tendency to by-pass Europe will decline."

But, as anyone who has been Mayor of Berlin knows full well, European political unity means more than West European political unity. Mr von Weizsaecker will be reiterating in London his conviction that the future of the divided German nation is but an unresolved aspect of East-West relations in their entirety.

Weizsaecker . . . sense of history

"The political structure in central Europe is subject to continuous change," he has said. No single one has existed for Germany which has proved a final one. "Any change must be peaceful and with the consent of all our neighbours. We must not assume that today's structure will be valid for ever."

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# S. African unions discuss strike over detentions

BY ANTHONY ROBINSON IN JOHANNESBURG

OFFCIALS of South Africa's most powerful trade black trade union, the National Union of Mineworkera (NUM) were dne to meet last night to discuss possible atrike action in support of their demands for the release of the union's vice-president who has been detained under the state of emergency.

The detained official, wbo cannot be named in South Africa under the media restrictions which accompany the state of emergency is also the presideot of the Congress of South African Trade Unions (Cosatu), the recently formed auper-federation which has 500,000 members in 34 affiliated unions covering most of South Africa's strategic industries from mining, through transport to the food industry.

Tbe central executive committee (CEC) of Cosatu has called a special meeting today at an undisclosed venue to discuss what one key member described yesterday as "the action to take in the light of the detention of our leaders."

According to the NUM, which is the biggest union in Cosatu at least nine of its top regional and national leaders have beeo detained although two of its most senior officials, Mr Cyril Ramaphosa, the general secretary, and Mr James Moltatse, the NUM president, left the country after the emergency was declared. They will be in London today canvassing for support from British miners and other trade unions.

The lahour monitoring group of Witwatersrand University reported last week that more than 900 trade union officials have heen detained nnder the emergency, including the general secretary of the Metal and Allied Workers Union (MAWU), who again cannot be named.

The spate of trade union arrests comea at a delicete time for annual labour negotiations in hoth the mining and engineering unions. Last week the Chamher of Mines announced its final offer of wage increases ranging from 15 to 20 per cent on minimum rates for over 500,000 black mineworkers in coal and gold mines. The offer also included a two hour per fortnight reduction in working time for underground gold miners, the granting of union demands for May Day and June 16 (Soweto Rising anniversary day), as paid holidays and improvements to job security, death payments and other *fringe benefits.*

Negotiations continned in spite of the absence of Mr Ramaphosa and Mr Moltatse

The NUM undertook to convey the union's response to the chamber's final offer on Wednesday hut this could he frustrated *if further action is taken against* the union following last night's meeting

The arrests also threaten to complicate wage bargaining for 350,000 workers in the engineering industry after the Steel and Engineering Industries Federation met the 15 unions involved last Friday to put their offer of between 11.5 and 17 per cent on basic rates. Tbe six unions In the negotiation have declined the offer.

**THE Catholic Institute for International Relations confirmed yesterday that Mr *Elijah Barayi,* president of the Congress of Sonth African Trade Unions (Cosatu) and vice president of the National Union of Mineworkers, has been detained, writes Stephanie Gray in London. Mr Barayi is the most senior leader of organised labour yet to be detained withnut trial under emergency regulations.**

# Manila confirms rejection of nuclear power plant

BY SAMUEL SENOREN IN MANILA

THE *Philippines Government* yesterday confirmed that it will not operate the country's new nuclear power plant in spite of an acute power shortage.

A special meeting of the cabinet called by President Corazon Aquino agreed oot to accept the plant, which was compieted by Westinghouse of the US last year at a cost of more than \$2hn (£1.3bn).

The Government will try to seek a settlement with Westinghouse to recover part of its equity in the project or write off a portion of the loans that had been contracted to build the plant in 1976.

Foreign banks which provided more than \$1ho to finance construction are concerned about bow the Aquino Government will treat their loans.

Mrs Aquino has puhlicly stated her Government wonld bonour all existing obligations hut some of her senior advisera are openly questioning the loans for the nuclear facility.

Officials bave charged that Westinghouse paid bribes to the former government under deposed President Ferdinand Marcos to obtain the contract.

Westinghouse has denied the charge, contending that it made no payments to Mr Marcos either directly or indirectly. It *claims* the plant *is* safe and should be operated immediately to supply electricity to Manila.

Manila has been hit by daily power shortages lasting four bours because conventional oil fired plants which the nuclear plant was to replace have broken down.

● President Aquino yesterday appointed a former detainee who was aentenced to death by a military court as a governor of the state-owned Development Bank of the Philippines, Reuter reports from Manila.

Mr Eduardo Olaguer, released from military prison when Mrs Aquino became president after last February's revolt which ousted Ferdinand Marcos, was condemned to death for his alleged involvement in a series of bomhings in the Philippine capital six years ago.

The Philippines' second higgest bank was hrought under government control yesterday as the Commission on Good Government seized 95 per cent of its stock and elected new directors. The shares in the United Coconut Planters' Bank were seized on suspicion they were controlled hy ousted leader Ferdinand Marcos or his associates, or had been bought improperly with puhlic funds.

# Talks open on transfer of Macao to China

**Talks opened yesterday on the transfer to China of Macao, the small enclave off the southern Chinese coast under Portuguese control for for almost 430 years,** reports Robert Thomson from Peking.

**Conscious of Chinese *concern* about business confidence in Macao, the Portuguese delegation has been unwilling to discuss publicly the first round of talks, which are to last two days.**

**China is also very conscious of confidence in Hong Kong. Any sign of Portuguese discontent on Macao's future is likely to affect confidence over Hong Kong, which is only about 40 miles west of Macao.**

**The Chinese Government intends to employ the "one country, two systems" formula drafted for Hong Kong, allowing Macao to keep capitalism for at least 50 years. Portugal is unlikely to argue with that formula but is likely to use the talks as a *means of pushing for better* economic relations with China.**

## Punjab Hindus stage protest

**Hundreds of thousands of Hindus closed their shops and business establishments in many towns in the north-western Indian state of Punjab yesterday to protest against the continued killings of members of their minority community by Sikh terrorists,** writes K. K. Sharma in New Delhi.

**The protest follows the death of 300 hindus since January when Sikh extremists demanding a separate homeland fnr their majority community in Punjab escalated their attacks on Hindns in the districts of Amritsar, Gurdaspur, Hoshiarpur and Ferozepore.**

**Frequent incidents of indiscriminate firing on Hindns by Sikh extremists have led to panic among the Hindns in these districts and many families have fled their bomes and migrated tn adjacent Hindu-majority states.**

## Tamils killed in boat battle

**Thirty-three Tamil separatist rebels were killed when a Sri Lankan naval patrol engaged a boat bringing them to the island from India, a military *spokesman* told Reuter.**

**Only one guerrilla survived after the navy intercepted the rebel boat at Talaimannar, 160 miles (250 kms) north of Colombo. The survivor said the boat came from south India, where Colomho claims that guerrillas seeking an independent state in Sri Lanka have been based.**

## Bangladesh boycott threat

**Bangladesh's Awami League, the largest opposition group in the newly-elected parliament, has decided to boycott the opening session set for July 10 unless martial law is lifted,** AP reports from Dhaka.

**The decision was reached late Sunday *at the end of* a three-day meeting of the central working committee of the Awami League, which won 76 of the 300 seats in the May 7 elections.**

Alain Cass explains why a Soviet diplomatic move has alarmed the US

# Moscow plants a red flag in the Pacific

SMALL BUT distinct alarm bells rang in London, Wasbington and Canberra yesterday aa the *long* arm of Soviet influence reached into the South Pacific to plant a carefully-positioned red flag.

The establishment of diplomatic relations between Moscow and the tiny island state of Vannatu, formerly the Franco-British condominium of the New Hebrides, represents a mini-coup for the Russians. It merks another intrusion into a region long regarded as the preserve of the US and its allies and endows superpower rivalry with a new and exotic location.

*It* is not *clear* whether Moscow will estahllsb, as opposed to merely accredit, an envoy in Vila, Vanuatu's sleepy capital. If it does it will join the British and Australian mlssions and will become the first Soviet emhassy in the region.

*Father* Walter Lini, Vanuatu's Prime Minister aod a Romao Catholic priest, insisted yester day that the move did not indicate a shift away from bis country's non-aligned policy


Vanuatu has also asked the US to establish diplomatic ties.

However, Vanuatu already bas relations with Lihya, Nicaragua, Cuba, North Korea and Vietnam. It is also a staunch supporter of such causes as the independence movements in New Caledonia and Polynesia, reinforcing Vanuatu's image as the most radical tax-haven in the Pacific.

As if all this were not enough for Western strategic planners, the Russians are close to negotiating a fishing agreement with Vanuatu which includes a request for shore facilities. Moscow successfully concluded an agreement with Kiribati, formerly the Gilbert Islands, last year and is wooing half a dozen other potential partners in the area.

"The prospect of Russian trawlers bristling with electronic equipment loose io the South Pacific," said a Western diplomat, "depresses me beyond words."

The latest Russian gambit gives a new meaning to the phrase to fish in trouhted waters. Decades of affectioo *towards* the US and *its allies* for pushing imperial Japan out of the region in World War II have been slowly eroded by conservatives in Waahington call "benign neglect."

The idyllic but strategically vital backwaters of the South Pacific are seething with economic, social and political problems which the Soviet Union is poised to exploit.

The islanders are angry with the US for refusing to recognise their 200-mile economic zooes, thus allowing American fishing boats to catcb their tuna *for nothing* wbile the Soviet Union is offering to pay more than 20 per cent over the going rate for their agreements.

The independence movement in New Caledonia and the growing opposition to French nuclear testing in the area have added to the air of uncertainty.

Beyond that, the row between New Zealand and the US over port facilities for American nuclear vessels has effectively wrecked the three-cornered defence treaty with Australia, reinforcing the impression of an alliance in disarray.

This was reinforced yesterday when Mr George Palmer, New Zealand's Deputy Prime Minister said that US security guarantees offered under the Anzus treaty involved "considerable exaggeration."

The US remains the dominant power in the Pacific. Palau in Micronesia, a US trust territory, recently voted to grant Washington a submarine hase and air facilities for greater autonomy. The US air and naval bases in the Philippines still provide America with superior military reach in the area, although the revolution which deposed President Ferdinand Marcos has placed a question mark over the future.

Other US military facilities from Japan to Australia coupled with the oavy's continued presence throughout the Pacific, ensure Washington's position for some time to come.

The Soviet Union, meanwhile, has oo military facilities in the region and its navy has so far kept a *low* profile. *The* latest Russian moves, however, signal the end of a long period of unchallenged US superiority and the beginning of a new period of uncertainty.

# Australian dock workers strike

Thousands of Australian dock workera yesterday began an indefinite strike, the first major *industrial conflict since* a wages authority rulling last week giving ooly minimal pay increases this year, Reuter reports from Sydney.

Employer groups warned the action by the Waterside Workers' Federation (WWF) would under*mine Prime Minis*ter Boh Hawke's efforts to shore np the nation's sagging economy and open the way for "union hlackmail."

The Arhitration Commission bas awarded a 2.3 per cent increase for this year, only half of what the unions had expected.

An emergency hearing of the commission yesterday failed to avert the stoppage, wbich *will affect* Australia's 44 ports.

Mr Tass Bull, WWF Secretary, said the strike followed a hreakdown ln four months of negotiations on a two-year industry agreement.

Mr Llew Bowen, Australian *Chamber of Shipping director*, said the strike would delay ahout 60 vessela in ports around Australia at an estimated overall cost of ahout A\$900,000 (£413,000) a day.

The WWF's action alts oddly with Prime Minister Boh Hawke's recent call to the nation to work together to find a way out of Australia's economic problema, Mr Bowen said.

The principal sticking points are a union claim for improved superannuation, a 3 per cent productivity hased superaunuation payment and redundancy arrangements, Mr Bull said.

He denied the strike contravened last week's Arhitration Commission decisioo rejecting the Australian Council of Trade Unions' 3 per cent superanouation claim.

He said the Commission abdicated its authority on the superannuation issue by leaving negotiations in the hands of employers and unions.

# Syria pledges help to free Lebanon hostages

BY LOUIS FARES IN DAMASCUS

SYRIA pledged yesterday to exert every effort to win the freedom of American bostages beld in Lebanon.

The message was delivered by President Hafez al-Assad during a meeting with Mr Robert Dornan, a US Congressman, who had hrougbt with him a petition signed hy over 260 colleaguea.

More than 20 foreign nationala are still being held in Lebanon, of whom at least four are Americans. A Syriao spokesman said yesterdsy that his government was conceroed with this issue on humanitarian grounds and not because of its impact of Syrian-US relations. "The US works witb the Zionist lobhy," he said.

Mr Dornan had not expected to meet President Assad following hla lengthy talks tbe previous day with Mr Farouk al-Shara, the Syrian Foreign Minister.

Syria retalns considerahle influence in Lehanon through its large troop presence but has run ioto increasing difficulties bandling radical Islamic organisations.

# US experts to monitor Soviet N-tests

By Stewart Fleming in Washington

The leaders of a team of US scientists going to the Soviet Union later this week to set up equipment to monitor Soviet nuclear tests said yesterday that Soviet agreement to the programme demonstrated its willingness to accept that verification is no longer an obstacle to a nuclear test ban or a moratorium. The view was put by Dr Charles Archambeau, a seismologist.

The verification programme is the result of a remarkable private initiative by a non-profit environmental organisation, the Natural Resources Defence Council. Under an agreement signed by Dr E. P. Velikhov of the Soviet Academy of Sciences, a group of US and Soviet scientists will over the next few months set up seismological equipment close to the main Soviet nuclear test site in Semipalatinsk to obtain more accurate information about vibrations from Soviet nuclear tests.

Similar verification equipment will later be established near the Nevada test sight in the United States.

The data obtained will be made public a move which will, for example, permit the United States Government to check back over its records and form a judgment about whether the Soviet Union has been observing agreements limiting the size of nuclear tests.

Dr Thomas Cochran, a member of the US team from NRDC, said yesterday that the approach behind the private initiative was that if field teams obtained the test data first, it would be easier to negotiate an agreement limiting nuclear tests later. This, he said, contrasted with the effort to reach agreement at government level where the emphasis is first on negotiating an agreement and then putting it into practice.

The NRDC initiative could weaken a key US argument for opposing a test ban agreement, namely that it could not be properly verified.

In addition both the US and the Soviet Union will obtain information about seismological disturbances resulting from nuclear tests which they would not otherwise be able to obtain.

# Mexico looks to IMF for appreciation of its efforts

**The de la Madrid Government feels it has had little reward for restructuring its economy according to the wishes of its creditors, David Gardner writes**

THE MEXICAN team which is in Washington to renegotiate payment terms on the country's $97bn (£64.6bn) foreign debt has its back to a wall of implacable arithmetic.

This year's loss of around $8bn revenue as a result of the oil price collapse is equivalent to: 1/20th of Mexico's gross domestic product; two-fifths of its exports; one-seventh of the budget; the whole public sector wage bill; and twice the planned public investment this year.

More emotively, it is almost equal to last year's interest payments and three-quarters of total service payments on the foreign debt.

But in their search for concessions from their creditors, the Mexicans not only want to underline the generally recognised consequences of the oil shock. They also want to drive home another set of figures representing the achievements — and in particular the cuts — of the past 3½ years since Mexico's 1982 financial collapse.

Mexican officials do not believe that the economic significance of these achievements, and the social and political risks attached to the cuts, have been properly absorbed by the country's creditors or by the International Monetary Fund, with which Mexico now hopes to break a deadlock since the autumn in negotiations on a new economic programme.

"We have cut back very sharply and we can prove it," says one senior, orthodox financial official. "Show us where realistically we can cut more . . . . except on the one major outstanding item which is our debt service bill."

The Government vigorously denies that it has not been cutting its coat according to its diminishing cloth since the debt crisis first broke in August 1982.

According to Mr Carlos Salinas, the Planning Minister, public spending as a portion of GDP has been reduced from 32 per cent in 1981 to 19 per cent this year, real public investment from 11 to 3 per cent of GDP, in line with the collapse of oil revenues from $21bn in 1981 to an expected $6bn this year.

Public sector enterprises in the same period have been reduced from 1,155 to 820, with a further 123 companies due to be sold or closed imminently. In an unprecedented move, the Government closed a major state steel producer, Fundidora Monterrey, last month.

There will have been no growth over the period as a whole by the end of this year and real wages have been depressed by about 45 per cent for that half of the 25m workforce with full-time jobs.

Subsidies have been cut back radically and even dangerously. Conasupo, for instance, the parastate company which produces or buys and then distributes subsidised staple foods, has cut subsidies by a full 70 per cent since 1982, its officials say.

This year's maize subsidy—for the tortillas which are the staple diet of the poor—will be around Pesos 115bn ($200m), when it should have been four times that if Conasupo had kept up last year's subsidy level. In the US, meanwhile, government spending on agricultural price support has doubled in the past year, officials point out.

Officials also point to what has been achieved in structurally reforming the economy. Imports have been liberalised, with 62 per cent in volume terms now free from import licences, while Mexico has overcome a generation of nationalist-inspired trade isolationism and applied to join the General Agreement on Tariffs and Trade (Gatt).

This more liberal trade policy is helping to diversify the economy away from oil, so that 30.8 per cent of exports are now manufactured goods, up from 17.7 per cent in 1981, according to the Bank of Mexico's latest figures.

The Government in 1984 handed back to the private sector an additional 339 companies swept into the state net when the banks were nationalised in 1982. This entailed returning most of the country's brokerage and insurance houses which—aided by legislative liberalisation—have become a dynamic alternative to the state banks and now channel a fifth of national savings.

Officials admit to "errors of instrumentation" in areas like trade and foreign exchange policy, but dismiss claims that Mexico's foreign investment laws are restricted. "Anybody who wants to put money into Mexico except in sectors we see as strategic—oil and certain minerals for example—can get the deal they want. The problem has nothing to do with legalism; it is that most big multinationals are already here and those that aren't have little incentive to invest in a contracting economy," one official argues.

Some members of the de la Madrid Government go further, arguing that Mexico's creditors are spuriously using issues like foreign investment and capital flight to undermine its case for debt relief and new money.

"Capital flight under this Government has been virtually insignificant, despite the efforts of certain of our creditors who facilitate it," one official says tartly. The Bank of Mexico last month issued a strongly worded rebuttal of a Morgan Guaranty study which claimed that $17bn had left the country as capital flight—nearly 10 times the central bank estimate—since Mr de la Madrid took office at the end of 1982.

Several officials have taken to using a comparison with Britain under Mrs Thatcher, calculating the total British capital outflow to be about 1½ times the whole Mexican foreign debt—"but you call it foreign investment."

The Mexicans want to cast a rather different light on foreign exchange cash flow. Mr Salinas, for example, last week pointed out that Mexican achievements have been won with no net foreign credit in the last 18 months and with total net external financing in the last 3½ years equivalent to what Mexico was lent in the single, pre-debt crisis months of September 1981.

In the Government's view, Mexico has had little reward for its efforts. The World Bank's $500m loan to support import liberalisation, one official stresses, has still to be released one year after Mexico introduced the basic reforms envisaged. "They asked us to take 20 per cent of exports a year off import licensing and we did 62 per cent in one go," he says. "Is this what they call playing a relevant role?"

The Mexicans are resentful and perplexed that in a space of less than 18 months they have been relegated from top of the Latin America debtors' class to dunce—and this precisely during the period when they have seen their oil income cut by nearly two-thirds, suffered earthquakes which will cost them about $6bn and had no new external funds.

A good part of the wrangle with the IMF over the size of this year's budget deficit concerns the effect of this foreign exchange starvation. The Mexicans regard this year's likely deficit of 13 per cent of GDP as inevitable and want any agreed targets for reducing it moved to the end of next year. The fund wanted to hold them to something like the pre-oil shock target of 5.1 per cent, though it now appears to have relented considerably.

In the Mexican view, this year's latest round of belt-tightening has reached the limit beyond which the country's capital stock and political stability is at risk. Officials argued that with net new external financing equivalent to 3.9 per cent of GDP — or roughly $5.5bn — there is no intrinsic reason why the deficit increase caused by lack of foreign exchange should generate the sort of inflationary pressures the Fund claimed. "Surely that is one lesson from the US's externally financed deficit," one senior official argues pointedly.

# Mulroney brings new blood into cabinet

By Bernard Simon in Toronto

MR BRIAN MULRONEY, Canada's Prime Minister, has sought to inject new vigour into his Progressive Conservative government by announcing the most sweeping cabinet shuffle since he took office in September 1984. Changes announced yesterday include the replacement of the dour Deputy Prime Minister, Mr Erik Nielsen, by Transport Minister Mr Donald Mazankowski and several appointments to strengthen Quebec's representation in the Cabinet.

The shuffle follows a difficult period for Mr Mulroney, including the resignation of his Industry Minister in the wake of conflict of interest allegations and signs of slipping public support, particularly in the predominantly French-speaking province of Quebec.

A poll published in The Globe and Mail newspapers yesterday shows the Tories with only 36 per cent of popular support, compared with 39 per cent for the opposition Liberals. In Quebec, where the conservatives won 58 out of 75 seats in the 1984 election, only 25 per cent of decided respondents backed the Tories, while 49 per cent said they supported the Liberals.

The importance of Mr Mulroney's recently-launched initiative for a free trade agreement with the US is reflected in the shift of the respected Energy Minister, Miss Pat Carney, to the International Trade portfolio. Mr Marcel Masse, until now Communications Minister, becomes Energy Minister.

The Prime Minister also indicated that the Government plans to pursue its recently-stalled privatisation plans more actively by naming Mrs Barbara McDougall, the Minister of State for Finance, as head of a Cabinet task force on privatisation.

Among the few ministers unaffected by the shuffle are Finance Minister Mr Michael Wilson and External Affairs Minister, Mr Joe Clark.

Quebec is widely regarded as the key to the Tories fortunes in the next federal election to be held by 1989. The Conservatives have so far failed to set up an effective party organisation in the province to build on their 1984 gains. The Cabinet shuffle includes the appointment of a Quebecker, Mr Michel Cote, as Industry Minister–

# Colombia ready for Pope's visit

BY SARITA KENDALL IN BOGOTA

POPE John Paul II arrives in Colombia tomorrow for a week long visit to a country strained by political violence and natural disasters.

The country's Bishops' conference has called on Colombians to ensure that not a drop of blood is spilled during the Pope's stay. The M-19 guerrilla group has promised a ceasefire, the first such gesture since peace talks with the Government of President Belisario Betancur broke down last year.

The Nevado del Ruiz volcano, which erupted last November destroying the town of Armero, is once again dangerously active. It seems doubtful whether the Pope will be able to go to the cross-studded, barren plain where more than 21,000 people lie buried beneath the mud avalanche that followed the eruption.

Instead he may visit Lerida, a small town nearby now swollen with refugees who survived the disaster. Pope John Paul will also be meeting Colombian Indians in the city of Popayan, which was torn apart by an earthquake in 1983 and lies on the slopes of a major combat zone.

In 1968 Colombia played host to the Latin American Bishops' conference which produced the churches' first major statement on fighting social injustice and institutionalised violence. Pope Paul VI opened the conference and since then the theology of liberation has acquired a huge following in Latin America.

Although its proponents have been in conflict with Rome, Pope John Paul II comes to Colombia after making conciliatory statements about liberation theology, apparently prompted by thousands of letters from grass roots church communities throughout the continent.

Colombia's Roman Catholic heirarchy is more conservative and less divided than the church in other Latin American countries but at least six priests are fighting with guerrilla movements.

In recent weeks seminaries and churches have been taken over briefly by guerrilla and protest groups; shots also riddled the front door of Cardinal Lopez Trujillo's residence. The Pope's main theme in Colombia will be peace—an issue which has also absorbed most of President Betancur's efforts during his four years in office.

# Argentine airline pilots threaten strike action

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S troubled international airline, Aerolineas Argentinas, faces a total shutdown today for the second time in two weeks. The state-owned company's 560 pilots have threatened "an indefinite strike," bringing to a climax a dispute over salaries which has been simmering for the past 20 months.

Mr Oscar Marshall, a spokesman for the pilots' association (Apla), said its members were seeking pay parity with another state airline, Austral, "a claim which was accepted as just by an independent arbitrator in May but which was overruled by the Labour Ministry."

Take-home pay for a Boeing 747 pilot with 30 years' flying experience is about $1,200 per month, some 30 per cent below that of an Austral pilot and around a quarter of the salary many international airlines pay experienced pilots.

The company, which has a foreign debt of $800m (£523m), agreed to negotiate salary scale adjustments with five other unions following a stoppage last month by maintenance workers, but appears to be standing firm against the pilots. It has threatened to dismiss any pilot who joins the strike.

Mr Marshall said the pilots had been promised "full support" by the 165,000-strong International Federation of Air line Pilots' Associations.

# Central Bank devalues Austral by 1.14%

By Our Buenos Aires Correspondent

ARGENTINA'S Central Bank yesterday announced a 1.14 per cent devaluation of the country's currency, the Austral, against the US dollar.

This is the seventh minidevaluation since the Austral was introduced in June last year and, in effect, closes the gap between the official and parallel exchange rates in the local money markets. The official rate now stands at 0.89 Australs to the US dollar, representing a fall of 11 per cent on its original value of 0.80 Australs to the dollar when it was introduced.

By agreement with the IMF last month, the Government has committed itself to maintain positive real interest rates throughout 1986.

# WORLD TRADE NEWS

## Japan's trade surplus at record $8.4bn

BY YOKO SHIBATA IN TOKYO

JAPAN'S TRADE surplus rose to a record $8.3bn (£5.5bn) in May, the Ministry of Finance reported yesterday. Exports jumped by 24.2 per cent on the year earlier figure to $17.64bn, the second largest figure after a record $17.80n in December 1985.

Imports, however, fell by 6 per cent on the year earlier figure to $9.34bn. Imports in April were $9.81bn.

The continued rise in exports despite the yen's sharp appreciation was the result of the "J-curve effect" in which the yen's rise against the dollar boosts Japan's dollar-denominated exports and slows imports before the opposite occurs, a Bank of Japan official said.

Japanese officials said the large trade surplus in May was the result of shipments to the European community and to the US. Imports, in turn, have been declining because of falling oil prices.

Japan also recorded its second largest current account surplus of $7.65bn in May, following a record of $7.86bn surplus this April.

The balance on invisible trade swung into a deficit of $495m from a surplus of $374bn in the previous month as a result of increases in the payment of interest on government bonds and overseas travel expenses.

The long-term capital account yielded a large deficit of $9.97bn, although this was $2.2bn smaller than April's $12.2bn, reflecting falling Japanese investment in foreign bonds in May. Japan's overseas direct investment jumped to a record $1.18bn because of the strong yen.

The basic balance of payments, or the current plus long-term capital account balances, was in the red by $2.32bn. The overall balance of payments also incurred a deficit of $0.86bn.

Japan produced a current account surplus of $41.73bn in trade with the US in fiscal year to March 1986, accounting for 85 per cent of Japan's trade surplus of $49.17bn, the Ministry of Finance said yesterday.

Long-term capital outflows to the US totalled $33.16bn, or more than half of the aggregate capital outflows of $64.54bn. The long-term capital outflow to the US in the previous year totalled $14.81bn.

The expansion of the export quota of passenger cars under the voluntary export restriction to the US was attributed to the export upsurge to that country. Falling prices for commodities such as grains were blamed on reduced imports from the US.

In the previous fiscal year, Japan ran a current account surplus of $51.07bn with the member-nations of the Organisation for Economic Co-operation and Development (OECD), and a surplus of $9.47bn with the Communist bloc.

The Japanese do business differently, **Carla Rapoport** reports

## Contacts count in Osaka airport project

A NEW battlecry has emerged in the seemingly endless trade war between the US and Japan. It is Kansai International Airport—a $6bn (£4bn) airport project for Osaka, Japan's second largest urban centre.

Americans are claiming they have been locked out of the bidding for the project. Last week 10 US senators called on Dr Clayton Yeutter, the US Trade Representative, to look into alleged discrimination against the US companies by the Kansai International Airport Authority. On closer inspection, however, the problem appears to stem from Japanese business habits rather than any malicious intent.

The first phase of the project is the creation of the man-made island on which the airport will be built. Domestic construction companies have been working on the surveys and plans for this island for more than 10 years. As a result, the landfill project has been almost completely designed by the authority already, with the aid of domestic companies. Further, the authority has its own staff of more than 100 engineers experienced in reclamation work.

This kind of close co-operation between public and private concerns is common in Japan, causing foreigners to feel shut out as they often do not hear about projects until too late. But the second phase of the project will be open to all-comers, according to the Japanese.

Assuming the project gets under way as planned later this year, it will take about six years to build the island. In three years, then, the authority will start seeking tenders for the second phase, construction of the airport itself.

"We have never banned any company from this project. We are anxious to have talks with good companies from anywhere in the world; we have already enjoyed useful talks with English and French firms. This US action is not due to commercial problems, but political ones. This is a political position aimed at opening the Japanese construction market," said Mr Koki Nagata, a Kansai International Airport Authority official.

Indeed, construction work in Japan is all but a closed shop to foreigners. It takes many years to build contacts in Japan and it is these contacts which result in orders. Kansai Airport engineers have been working with domestic companies for nearly 10 years on the project and in order to be involved in the next phase, foreigners need to establish good contacts with the Japanese.

"How do you lock someone out who isn't here?" asks Mr Anthony Cantor, Britain's commercial consul in Osaka. "Any foreign company has to approach this project like anything else—get established here, frequent visits, get your name known, update yourself on the customer's needs. This isn't a project where you have a bash and then go. It's an opportunity to get in.

"The reaction we've had from the Kansai Airport Authority is how very welcome everyone is, if only they'd come." In fact, earlier this year the Kansai Airport Authority asked companies interested in bidding on the project to register their names and details. Only 30 foreign companies did so, with less than 10 from the UK. "I've got a catalogue an inch thick of British companies that could bid for this project," says Mr Cantor. He points out that airport construction and equipment companies should also consider that Japan is constantly upgrading its older airports and may build new airports in Kobe and Nagoya.


Mr Nagata admits that 44 per cent of the value of the project is tied up in the reclamation work, but says: "It's a little too late (for foreign companies) to participate in this island project." A foreign businessman close to the industry said: "The Americans haven't been drinking with these engineers for 10 years like the domestic firms. It's really a matter of putting your roots down in Japan and saying, I'm here, drink with me.

"It's not just this project, it's a continuing problem for foreigners to appreciate the unique way of doing business here," Mr Cantor said.

## Caribbean countries prepare for crisis meeting

BY CANUTE JAMES IN GEORGETOWN

"THE IDEA of a Caribbean economic community free market is likely to collapse this year, and we could go back to a series of bilateral trade arrangements," suggests Mr Pat Thompson, executive director of the Caribbean Association of Industry and Commerce.

Mr Thompson's pessimism over the future of Caribbean efforts at economic co-operation might not be shared by the Caribbean community's (Caricom) heads of government, starting their annual meeting here, in Georgetown, Guyana, today.

But there is ready admission by the region's prime ministers and presidents and by business leaders such as Mr Thompson, that the 13-year-old community is facing a crisis.

The summit is faced with finding a formula for reviving trade between the 13 members of the community, which has a cumulative market of five million people and is made up of the English-speaking countries of the region. The solution was reportedly found at the summit two years ago in the Bahamas.

The members then committed themselves to implementing measures to reduce protectionism and open their markets to their colleagues, and to impose common tariffs on goods being imported from outside the community, but which members could produce in sufficient volume and quality.

Despite successive changes in target dates, some members have not yet implemented the measures. Factory closures have been frequent, and according to Mr Roderick Rainford, the community's Secretary General, the value of trade between community members last year was about 10 per cent below the $432.5m (£288m) recorded in 1984. Regional trade has been sliding since the 1981 peak of $577m.

The slide has brought into question the credibility of the community as an organisation capable of stimulating trade in an area where the jobless rate averages 22 per cent.

The conflict between serving the wider community aims of increased trade and protecting national economies promises that the summit is unlikely to be a very amicable affair.

## Egypt signs £94m UK military credits pact

By Tony Walker in Cairo

EGYPT has signed a £94m agreement covering the supply of UK equipment and technical assistance to upgrade military production.

It is the first of two agreements totalling £150m to be signed under an export Credits Guarantee Department-backed line of credit. The other portion was scheduled to be initialled in London early this week.

According to the terms of the agreement, Egypt has until August 25 to nominate items it plans to purchase with the UK credit.

Negotiations are well advanced with a number of UK defence contractors for the supply of various components, including machine tools, and for assistance in establishing a tank manufacturing plant.

The £94m agreement was signed on Sunday in Cairo by Mr Ahmed Ismail, head of the National Bank of Egypt, the country's largest public sector bank. Lloyds Merchant Bank of the UK, lead manager of the £150m credit line, is the other signatory.

Repayment terms on the line are from five to eight years, including a grace period. The OECD consensus rate of interest, now standing at around 8.85 per cent, will apply.

The much-delayed agreement follows less than a week after a visit to the UK by Field-Marshal Abdel Halim Ghazala, Egypt's powerful Defence Minister, who had talks with Mre Margaret Thatcher, British Prime Minister.

A number of UK companies are involved in the Egyptian defence industry, including Rolls-Royce, and the Royal Ordnance Factory

## Boeing wins $175m order from US Air

BOEING, the world's largest jet airliner builder, has won another order for its 737-300 twin jet aircraft, worth over $175m (£116m) for seven aircraft from US Air, e US domestic operator, Michael Donne writes.

This deal, which brings US Air's orders for 737s to 47 aircraft, also brings total 737 sales to date to 1,708 aircraft, bringing it close to the world's best-selling jet airliner, the Boeing 727, of which 1,831 were sold before it went out of production in the late 1970s.

## EEC hopes rise for delay in start of farm war with US

BY QUENTIN PEEL IN BRUSSELS

HOPES were rising in Brussels yesterday that last-minute talks between US and EEC officials would succeed in delaying a declaration of hostilities today in their latest dispute over the loss of US grain markets in Spain.

Negotiations were continuing yesterday between Mr Willy de Clercq, the EEC Commissioner responsible for external trade, and Dr Clayton Yautter, US Special Trade Representative, in Washington, after several days of high-level talks in Brussels last week.

Officials in Brussels refused to divulge any details of the progress, except to say that "last week's talks cleared the way for a solution."

"Wa are in a delicate phase of the negotiations," a European Commission spokesman said. "We will know more tomorrow."

The officials confirmed reports from Washington that the long-standing dispute between the two sides on EEC exports of semi-finished steel to the US looked set to be resolved with an offer of increased US imports from the present 600,000 to 800,000 tonnes.

The 12 EEC member-states now have to decide how they will share out that quota between themselves.

There is no obvious linkage between that dispute and the row over US sales of maize and sorghum to Spain, however — except for the better atmosphere it might create. There has been no comparable progress on a separate dispute over US citrus sales, Commission officials said.

Although the US Administration had set today — July 1 — as tha deadline for resolution of the Spanish dispute, it actually has 10 days to announce the imposition of retaliatory tariffs, to comply with the rules of the General Agreement on Tariffs and Trade.

The US has threatened to impose tariffs on EEC exports such as cheese, sausages and spirits, while the Community has promised to retaliate on the most sensitive US farm exports of wheat, rice and corn gluten feed if Washington does go ahead.

## Italy's machine-tool exports rise 37.9%

BY ALAN FRIEDMAN IN MILAN

ITALY'S exports of machine tools increased by 37.9 per cent in 1985, to L1,351bn (£517m).

The buoyant export performance, which helped Italy maintain its position as the world'a fifth biggest producer and exporter of machine tools, also made for a record trade surplus for the Italian industry.

Despite a 16.8 per cent rise in imports to L375bn last year, the Italian machine tool manufacturers achieved a L976bn trade surplus in the sector. The L976bn surplus represents a 48.1 per cent jump on 1984.

According to Ucimu, the Italian machine tools manufacturers' association, total 1985 sales were L2,130bn, up 21.7 per cent in nominal terms on 1984, or 13.4 per cent in inflation-adjusted terms.

The Italians remain concerned however, that their domestic performance is not keeping up with their export success.

While orders from outside Italy were up by more than a third last year, home orders for Ucimu members actually fell by 7.6 per cent in 1985.

Mr Pierluigi Streperava, Ucimu president, appeared concerned yesterday thet the domestic market was unable to grow without assistance in the form of government financial incentives which beve now expired.

Looking ahead to the current year's performance, Ucimu forecasts a 10.8 per cent increase in total sales, to L2,360bn. The trade surplus for the sector is also expected to grow by about 10 per cent, to around L1,070bn.

Ucimu said yesterday thet in 1985, world machine tool demand was up by 11.1 per cent on 1984 levels. Italian production rose by 12 per cent last year, which compares with a production increase of 19.2 per cent in Japan, the leading machine tool country.



# FT LAW REPORTS

## Attempt to stop sale of syndicates fails

RE POSGATE & DENBY (AGENCIES) LTD
Chancery Division: Mr Justice Hoffmann: June 20 1986

**SHAREHOLDERS without voting rights have no legitimate expectation that they should be entitled to vote on a proposed sale of part of the company's business if the articles of association indicata that they have no such entitlement and if there is no reason in the circumstances of the particular case why such an expectation should be superimposed on their rights as set out in the articles.**

Mr Justice Hoffmann so held when dismissing a motion by Mr Ian Posgate for an injunction to restrain the company, Posgate & Denby (Agencies) Ltd, and its directors, from disposing of part of its business without the approval of a majority of the company's equity shareholders. The motion arose in a petition presented by Mr Posgate under section 459 of the Companies Act 1985 on the ground that the company's affsirs were being condncted in a manner unfairly prejudicial to some of its members.

**HIS LORDSHIP** said that the company was acquired in 1977 by Mr Posgate and Mr Mark Denby to carry on business as a Lloyd's underwriting agency.

The issued share capital consisted of 100 voting shares and 25,000 equity shares. Equity shares carried no right to vote in general meeting except on a resolution to wind up the company.

Mr Posgate held 25 of the votiog shares. The other 75 were held by the five individual respondents who were also directors.

The Posgate family was interested beneficially or as trustees in just over half the equity shares.

In September 1982, by direction of the committee of Lloyd's, Mr Posgate was suspended from underwriting activities on behalf of the company. In July 1984 be resigned as director.

In October 1985 the company was advised by its brokers that they could not place the Errors and Omissions (E & O) policy which, according to Lloyd's regulations, it needed to carry on business after expiry of the existing policy on April 30, 1986.

The failure to obtain E & O cover precipitated e crisis. The company's business of managing three active and profitable syndicates, and its members' agency business, had a substantial and saleable goodwill.

If the company ceased business and its syndicates had to be run off that goodwill would disappear. Even uncertainty about the company's future was sufficient to erode its goodwill.

A fiscally advantageous scheme was produced to dispose of the syndicates through subsidiaries before the prospective cessation of business. On January 7, 1986 Mr Posgate was dismissed as an employee. He commenced proceedings for wrongful dismissal and libel against the company. The effect was to wreck the scheme.

The board was left with just over nine weeks before the E & O policy expired. It was necessary to dispose quickly of the businesses as going concerns.

Since no scheme was possible tha only alternative, though fiscally less attractive, was to sell them. The board received an offer for tha members' agency business and sold it for £1,137,150. The present motion concerned the proposed sale of the three active syndicetes.

There was not a wide market for syndicate managements. In the absence of outside offers the board proposed a series of management buy-outs. Purchasing companies were formed which offered £450,734, £152,310 and £383,717 respectively for the three syndicates.

The offers gave rise to a conflict of interest. Of the 11 members of the board eight were interested or proposed to acquire interests in one or other of the purchasing companies.

The company's articles and the Companies Act 1985 contained provisions to deal with conflicts of interest.

The proposed sales were plainly within the ordinary powers of the board. The articles incorporated Article 80 of Table A to the 1948 Act, which committed the management of the company's business to the directors. Article 26 provided that if a director declared his interest in a proposed arrangement be should be entitled to vote on it. Section 320 of the 1985 Act provided that a company should not enter an arrangement of the present kind unless it was first approved by resolution of the company in general meeting.

The company had complied with the provisions of the articles and the Act.

As no offers from psrties at arms' length had been received there was nothing much to which the management offers could be compared. Mr Posgate exhibited valuations which produced much higher figures than those on offer.

His petition allegad that the prices offered by the purchasing companies were substantially less than the true market value of the syndicetes.

It was said the effect of the sales would be that the business of the company would "substantially come to an end" and that the voting shareholders, through the purchasing companies, would make a substantial profit at the expense of the equity shareholders. That, it was asserted, would constitute conduct of the affairs of the company which was unfairly prejudicial to the interests of Mr Posgate as an equity shareholder.

The relief sought by the injunction was not simply an injunction to restrain the sales, but an injunction to restrain them "unless and until such an agreement has been approved by a majority of equity shareholders." The motion sought interlocutory relief in similar terms until the hearing of the petition.

In accordance with the rulea in *Cyanamid [1975] AC 396* the first issue was whether Mr Posgate had demonstrated an arguable case that his petition under section 459 was well-founded.

Mr Rattee, for Mr Posgate, argued that it was unfairly prejudicial for the sales to proceed without the approval of equity shareholders because: (1) the equity shareholders were the only persons ultimately interested in the prices at which the syndicates were sold; (2) the majority of the board had conflicts of interest which made it impossible for them to form an objective view of the merits of the transaction; and (3) the difficulty in fixing values for the syndicates meant there was a risk they were being sold at under value.

In the absence of breach of fiduciary duty, which was not alleged, the equity shareholders had no right under the articles to prevent the directors from exercising the company's power to sell its assets.

But the concept of unfair prejudice which formed the basis of the jurisdiction under section 459 enabled the court to take into account not only members' rights under the company's constitution, but also their legitimate expectations arising from agreements or understandings of the members *inter se*.

The question was whether Mr Posgate could have had a legitimate expectation that in the circumstances the board would not dispose of the syndicates without the approval of equity shareholders.

The matters relied on by Mr Rattee did not, singly or cumulatively, justify such an expectation. Each was expressly or impliedly contemplated by the articles.

First, the articles made it clear that though equity shareholders were interested in profits and assets of the company, the whole of the conduct of the company's business was entrusted to the board and equity shareholders were not to have a vote.

Second, the articles made it clear that conflicts of interest were not to inhibit directors from taking part in board decisions.

Third, all decisions concerning the business of the company involved the risk that other decisions might turn out to hava been better. The existence of such a risk could not be a reason why it would be unfair not to seek the approval of equity shareholders.

The articles made it impossible to suparimpose an obligation of fairness requiring such approval. Accordingly there was no arguable basis for saying it would be unfairly prejudicial to Mr Posgate if the proposed transaction were implemented without tha approval of equity shareholders.

If the court were wrong in holding that Mr Posgate had not made out an arguable case, the next question was whether it was just and convenient to grant an injunction.

Mr Posgate could not suffer prejudice from the proposed transaction unless it turned out thet the syndicates could have been sold at a higher price. Proof of some undervalue must be an essential element in his case.

On the respondents' side there was a good deal of evidence to show that continuing uncertainty about the future of the syndicates was damaging the goodwill, and unless they were sold quickly, that goodwill might disappear.

If an injunction were granted there was a risk of causing irreparable harm to the company and its shareholders. If it were refused and the transactions turned out to be unfairly prejudicial to Mr Posgate he could be fully compensated by the value his shares would have had if the transaction had not taken place.

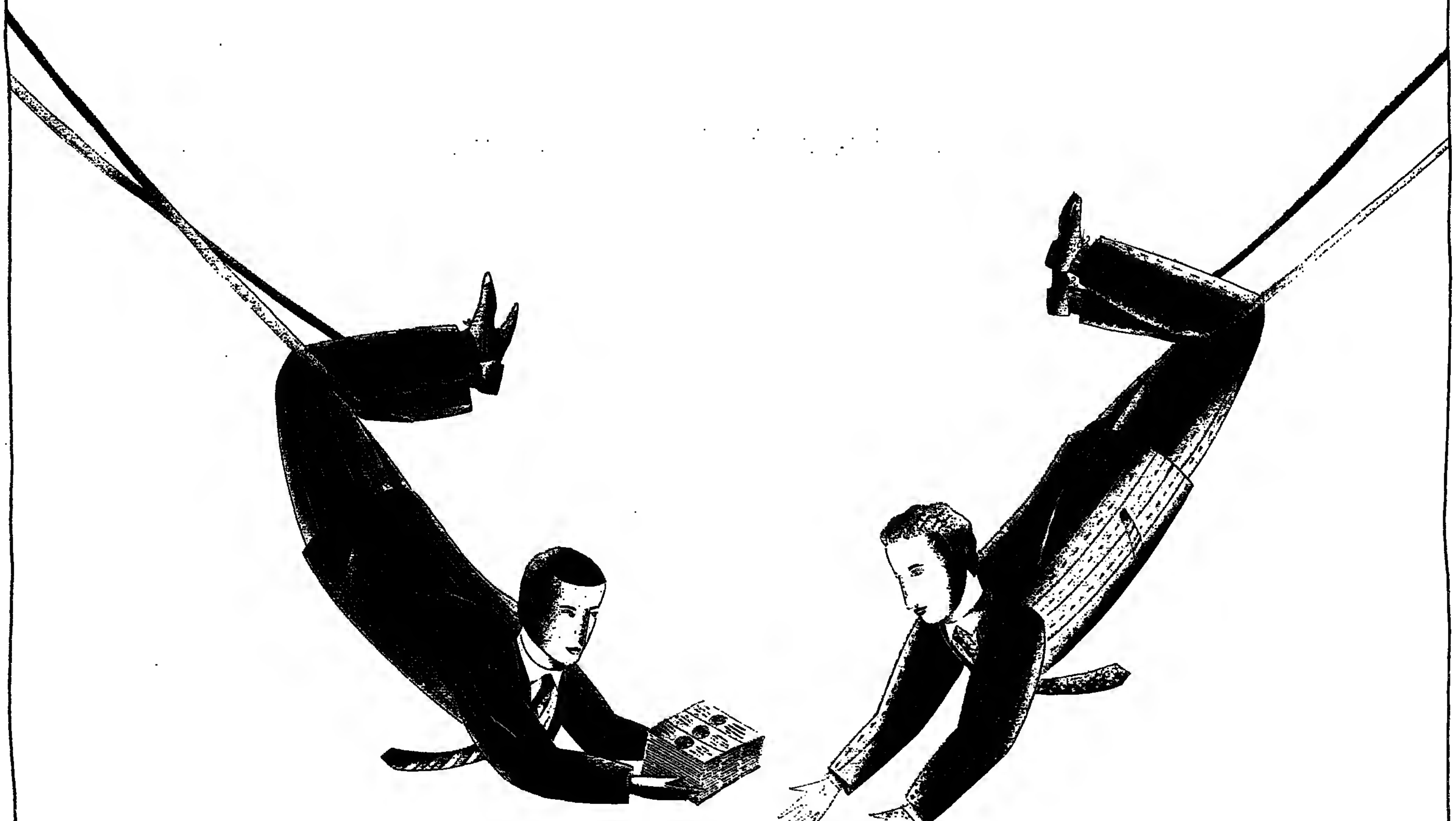
The balance of convenience was heavily against the grant of an injunction.

Tha motion was dismissed.

*For Mr Posgata: Donald Rattee QC and Peter Hayward (Stephenson Harwood).*

*For the respondent company and directors: Richard Sykes QC David Chivers (Norton Rose Botterell and Roche).*

**By Rachel Davies**
*Barrister*



# TECHNOLOGY

## Information goes on line for British dairy farmers

BY DONNA ARMENIO

DAIRY FARMERS in England and Wales will be able to tap directly into the Milk Marketing Board's ICL computer by using a new service, MMB Dairyfax, which can be accessed through Farmlink, an information service of British Telecom'o Prestel Viewdata System.

The service will allow farmers to improve their efficiency and produce better-quality prodncts by relaying information more rapidly and averting potential problems.

Dairyfax will allow farmers not only to obtain information bat also to send messages, place orders and ask qaestions.

With the system the farmer can input bis own records as well as access important market information in o cheaper, quicker and more systematic manner than was previously possible. At the press of a button he will be able to compare his own records, covering up to 12 months, against those of other farmers, both nationally and regionally.

Other information which can be accessed ranges from updated financial information to laboratory test results and matching cows to a suitable bull.

The cost for the Prestel networking system, including a subscription to Farmlink and equipment, is approximately £250, plus £3 per month to occess MMB Dairyfax, which goes on line in July. There is also a local usage fee for the telephone call that connects into the system. Free access time is available weekdays from 6 pm to midnight, Saturdays after 1 pm and on Sundays.

The Prestel system contains a built-in memory so that information can be retrieved after the line is disconnected from the computer. A printer can also be hooked up to the system if a hard copy is desired.

The Milk Marketing Board hopes to have between 4,000-5,000 dairy farmers subscribing to MMB Dairyfax within the next five years.

**David Dodwell, in Hong Kong, on the BSR system that can change, at will, electronic displays around the world**

## The instant answer to global advertising

THOSE YACHTING enthusiasts at the Americas Cup in Perth in September who are not totally carried away by the spectacle may notice that race details and other spectator information reoches them on electronic display screens unlike anything seen before.

The new screens, developed over the past two years by Astec International, a subsidiory of Mr Bill Wyllie'o Hong Kong-based BSR electronics group, are intended to overcome shortcomings in the wide range of advertising hoardings and information display boards currently used worldwide.

They are versatile enough to display written, numerical or graphic information in any configuration across the screen, and can carry advertisements that can be changed at will, and from any location around the world.

The screen is driven by an industrialised personal computer, and the graphic generation is based on Apple'o Macpaint softwore.

While the screen does not have the full versatility of an Apple Macintosh screen, the flexibility and "user-friendliness" of the Macpaint software makes it easy to program, and offers a wide range of uses and effects.

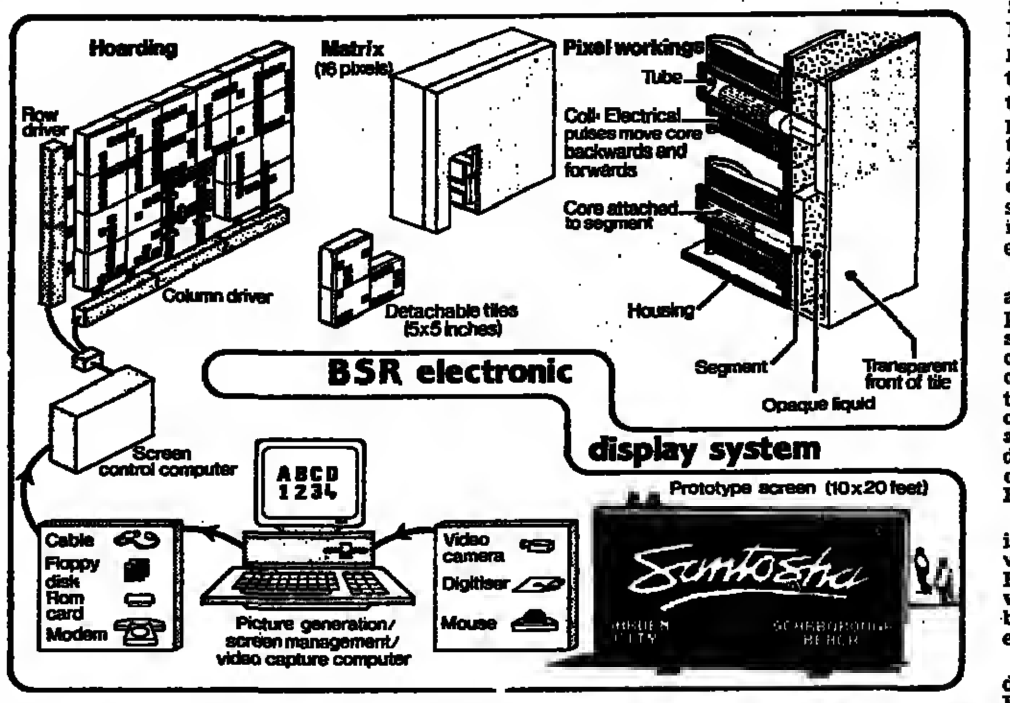
Displays can be changed from left to right, top to bottom, convering towards the centre, or on a "venetian blind" principle at different stages ocross the screen. They can also "disintegrate" and reassemble with the use of a series of electronic scans across the screen.

Unlike conventional information display systems, like the flap-over boards used in airports to provide flight information, the screens have no mechanical movements, and are not limited to a black or dark background.

They ore also much more versatile, with—for example—flight information being alternated with advertisements, and even call-up information for individual passengers.

Unlike display systems that use lights, they consume very little electricity. Information does not become unreadable under the glare of bright sunlight. Because they are phosphorescent, they operate equally effectively at night.

While out of operation, prototype screens measuring 10 ft by 20 ft look like blank tiled-walls. Each 5 in tile or module that makes up the screen is in fact a box containing a matrix of 16 pixels (picture elements: see diagram) that can be moved backwards or forwards by a simple electronic switch. In the prototypes, the 30 mm pixels are coloured red.




When the pixels are switched backwards, the surface of the tile appears white (in fact is it pale blue) because of an opaque liquid that fills it. When one or a combination of pixels ore switched forward, the opaque liquid is pushed aside, revealing a red surface.

With about 1,200 tiles making np a 20 ft hoarding, o screen is effectively a matrix of about 18,000 squares that can appear oither blank or coloured to make any high definition image that can be changed in five to seven seconds. Screen changes can occur for indefiuite periods at aboat 20 second intervals.

"Because the pixels are effectively operating in a liquid bearing, there is no wear," says Mr Henry Riddoch, head of the research team that has hrought the display screen from prototype to production. Because the pixels touch the rear surface of the tile when they are in their forward position, they remain clearly visible even in bright sunlight, he states—perhaps an important factor at the water's edge for the Americas Cup.

The system has cost BSR and an Australian joint venture partner called ERG — which specialises in the development of high technology projects — obout US$1m to develop. It io the brainchild of a Liverpudlian called Rogert Kent, who is now a director of ERG: "He developed the idea using bottles of milk and plastic," says Mr Riddoch.

"In electronics terms, there is nothing being used that is not well proven," states Mr Riddoch. "What is unique is the way it is put together. The biggest thing here has been ensuring reliability."

The electronic switches that drive each pixel will be made at BSR's totally-automated coil winding factory in Singapore. Each 20 ft screen requires 36,000 switches, which compares with o daily production capacity at the Singapore factory of up to 50,000 switches.

The screens bave been designed to operate indefinitely outdoors, and in oll weather conditions. A damaged tile can be unscrewed and replaced in a matter of seconds.

Mr Riddoch is coy about the exact constituents of the opaque liquid that fills each tile. The main difficulties were in ensuring that it neither settled out, boiled off, nor froze, be says. It can operate in temperatures ranging from −20 degrees C to +65 degrees C and has been tested in a number of remote, outdoor locations oround Australia.

A phosphorescent dye in the liquid in each tile makes the screen as effective at night as in the day. Just 500 watts of ultraviolet black light will light up the screen, making it much cheaper to operate than any existing light-bulb display screen that might be used, for example, at a night-time sports event.

First orders for the screen, launched this month, bave come from Australia, doubtless on the back of Bill Wyllie's bome-town links with Perth. BSR no doubt hopes use of the display will not begin and end with the Americas Cup.



## 'Smart' card move by Japanese

TWO NEW contenders from Japan have entered the "smart" card market. Both comply with international standards. "Smart" cards are a French invention in whleh a plastic credit/debit card has semiconductor storage and intelligence embedded within its thickness.

Mitsubishi (0923 770000 in the UK) has launched its Melcard, in five varieties, three with in-built microprocessors and two with just random access and read-only memory. These "intelligent" cards offer a complete security function when there are personal details on the card. Any password or number keyed in by a user at a terminal has to be "agreed" by the card when interrogated by the terminal. The card micro controls what information is exchanged.

Dai Nippon Printing of Tokyo has brought oat a similar card, with 2000 characters ef storage and an eight blt microprocessor. The micro carries out arithmetic, to allow the card to be used as bankbook. The company plans to start marketing to banks and securities companies from July.

**WORTH WATCHING**

Edited by Geoff Charlish

SENSITIVE HUMAN dummies are being produced at Frazer Nash Electronics, the Leatherhead, UK company.

The company bas teamed up with Ogle Design to produce dummies with electronic instrumentation that can be used in test situations to which real humans would take exception.

Normally of adult size (although children and even infants are available to order), the dummies have realistic skeltons with correctly articulated joints, fleshed out with coverings that accurately reproduce normal distribution of body mass. Internal organs can be reproduced within the rib cage.

Frazer-Nash can build in arrays of sensors to measure acceleration, loads and pressures and has equipment that will collect, process and analyse the data — in test situations ranging from crashed cars to parachute descents. More on 0372 379717.

Tony Holden, managing director of Computervision in the UK

BOBOTS FOR simple pick and place operations have been launched in several forms by INA Automation of Sutton Coldfield, UK (027 351 4047).

A typical application is picking np components from a conveyor or rack and placing them into machine tool chucks.

The company has developed a number of drive units, grippers, rotary tables, wrist units and other components which are put together in different ways to suit various applications.

The robots move in predominantly vertical or horizontal planes, but will work at some intermediate angles. The normal range of movement is from 0 to 400 mm horizontally and from 0 to 60 mm vertically. Loads np to several kilogrammes can be moved abont.

VOICE PROCESSING equipment sales in western Europe cou'd rise to $600m by 1994 from $25m in 1985, according to a market research report from Frost and Sullivan (European Market for Voice Processing, $2,400).

The technologies involved inclnde voice recognition, synthesis, compression, verification and understanding. Easily the largest application says F & S, is voice messaging, with revenues of $20m projected for 1986, rising to $223m by 1994. This is an enhancement of the answering machine in which the messages can be stored and forwarded to recipients via the PABX (private automatic branch exchange). The most advanced systems will recognise a caller's voice in order to route the message.

Other important areas are voice input and output for computers, and voice activation of devices. In London, Frost and Sullivan is on 935 4433 and in New York on 233 1080.

FLIGHT RECORDERS in which the traditional magnetic tape is replaced by semi-conductor memory are expected to be submitted soon for official approval by the designers, Enertec of the UK, part of the US-based Schlumberger group.

They obviate problems of tape deterioration and recording bead wear, and at 5 kg are less than half the weight of tape machines.

Using electrically erasable, programmable read-only memory chips, the recorders atilise a data compression technique to conserve storage space. They fully record flight data only when emergency conditions require it. At other times, the data is sampled, but this still gives sufficient detail of events leading up to an emergency.

Housed in a cast steel case, the units are also protected by water-impregnated material which releases steam to dissipate beat in an aircraft fire, preserving the contents.

Enertec is hopeful the units will be in service within two years, probably in civilian helicopters.

## UK base for CAM research

COMPUTER-AIDED manufacturing, CAM, an extension of computer aided design (CAD) that allows manufacturing numerical data to be derived from the CAD dimensional information and fed to machine tools, is to be researched by the UK subsidiary of Computervision of the US.

The company has fared better in Europe than in the US, where it has faced intense competition from compatriots IBM and Intergraph. "There is rather more interest in CAM on this side of the Atlantic, which is one reason why the new research and development facility is in the UK," says Tony Holden, Computervision's UK managing director.

Dr Andy Hamlyn, who heads the UK CAM group says that in the UK "we have the right people to develop the product and customers who are taking major steps along the road to factory computer integration."

INFORMATION PUBLISHER Microinfo of Alton, Hampshire UK and Digital Equipment Company (DEC) of the US are to mount a major sales drive into the growing market for information systems based on CD-ROM, the data equivalent of the Philips/Sony compact disk for music.

DEC has acquired the rights to produce CD-ROM versions of the US National Technical Information Service (NTIS). Microinfo, which has published NTIS documents on paper for 10 years, will now be able to offer CD-ROM versions as well.

The DEC disks, as well as information, also carry search software for the DEC controlling computer or for a personal computer that uses the MS-DOS operating system.

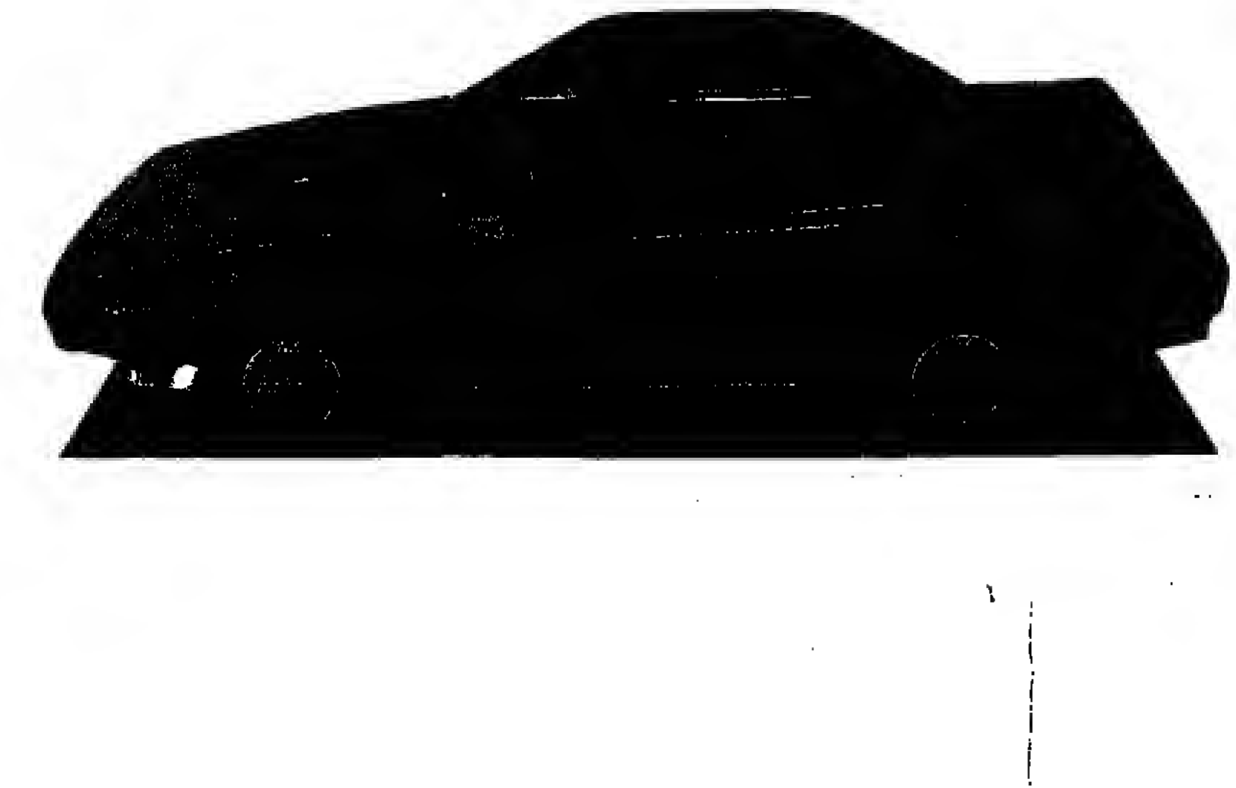
CD-ROM disks provide about one hour of music, or in the data application, a massive 600m bytes (characters) of information, or about 200,000 typed A4 pages.

UK VENTURE capital companies Syntech Information Technology Fund, Prutec (part of Prudential Group) and Technet Investments have put £450,000 into Caplin Cybernetics Corporation, established in 1984 in London's Docklands Enterprise Zone. The company develops and markets sensor-driven robot control systems. A further tranche of £500,000 is expected later this year.

Prutec has also announced that its first project, an investment in 1982 of £250,000 in the design of a mass spectrometer (used in materials analysis), has reached the stage of commercial manufacture at Horizon Instruments of Heathfield, East Sussex, UK.







GOVERNMENT RETHINK ON COMMUNITY STATIONS NETWORK

# Radio plans shelved

BY RAYMOND SNODDY

THE GOVERNMENT came under attack yesterday for effectively shelving plans to run an experimental national network of community radio stations.

Many of the nearly 280 applicants for the 25 radio licences on offer expressed outrage and disappointment at the conclusion of 17 months of deliberations.

In January, Mr Leon Brittan, then the Home Secretary, announced that a new third tier of radio in Britain was "a constructive development which should be given impetus."

Yesterday, Mr Douglas Hurd, his successor told the House of Commons in a written answer that the Government had decided to give up the idea of an immediate experiment in community radio because "the exact form was still causing difficulty."

Instead, the Government has decided to look again at the whole issue as part of a green paper (discussion document) on the future of sound broadcasting.

Recommendations on radio in the Peacock Report – an official report on the financing of broadcasting – due to be published on Thursday, are also likely to be considered as part of the green paper.

Mr Hurd's statement said the difficulties included the fact that there was no regulatory body which would be responsible for the experiment and the only method of control would have been the withdrawal of the licence.

In fact, the Home Office ministers were happy that the problems of running a community radio experiment for small local community, ethnic minority and community-of-interest stations had been overcome and recommended that the experiment should go ahead.

The Home Office has asked its advisory panel to stay on for the two-year experiment to help monitor the performance of the stations.

They were overruled last week by Cabinet colleagues apparently worried about "unregulated" stations broadcasting political propaganda in the run-up to the next election.

Mr Ray Beaty, national organiser of the Community Radio Association and a member of the advisory panel set up by the Government to help choose who would be awarded licences said yesterday: "The Government has chickened out of a decision that didn't require much courage."

There is now a danger of a rapid increase in the number of pirate radio stations resuming transmissions.

# Insurance rescue merger confirmed

By Eric Short

THE operational merger between the troubled mutual life company United Kingdom Provident Institution, and its rescuer, the mutual life company Friends' Provident Life Office, was officially confirmed yesterday by UK Provident policyholders following a stormy annual general meeting held in Salisbury, Wiltshire.

The merger had already been approved by policyholders of Friends' Provident at their annual general meeting. However, that approval could well be challenged by certain policyholders at an extraordinary general meeting.

Mutual life companies are owned by their with-profit policyholders. More than 500 policyholders attended the UK Provident meeting, seeking an explanation as to why the company had run into trouble and to elect a common board with Friends' Provident – a board on which only two of the 15 members came from the old UK Provident board.

This dominance of Friends' Provident directors was challenged by several policyholders, in particular by Mr Philip Bayliss, senior partner in the firm of chartered accountants Hugill & Co.

He accepted the need for an operational merger managed by executives of Friends' Provident. But he considered that as long as UK Provident remained technically separate, then the majority of its board should be responsible solely to UK Provident policyholders.

Several members at the meeting were highly critical of the old UK Provident board for allowing the company to get into trouble, mainly through poor investments.

# Next launches £300m agreed bid for Grattan

BY CHARLES BATCHELOR

NEXT, the revamped fashion retailer which used to be known as J. Hepworth & Son, is making an agreed takeover bid worth nearly £300m for Grattan, Britain's fourth largest mail order company, in an ambitious move to combine shop and home sales.

The two companies want to combine the design skills which Next has applied to the clothing and interior furnishing ranges sold in its 465 shops with the technical and data processing expertise which Grattan has built up in its mail order operations.

The proposed merger is the latest in a series of upheavals in the retailing world, which has seen Habitat Mothercare merge with British Home Stores, Burtons acquire Debenhams, and Dixons launch a takeover bid for Woolworth Holdings.

Mr George Davies, Next's chief executive, said: "We are strong in product development, shop design and customer contact. But not being able to make full use of the data we collect on our customers and our mailing lists has been the biggest constraint on even faster growth."

Next plans to launch its own mail order catalogues while Grattan will expand its clothing range using Next's ideas.

The merger would also create a sizeable retail finance group. Next's Club 24 subsidiary provides credit card services to Next customers and those of other retailers, while Grattan owns Wescot Data, which checks and records customers' creditworthiness.

Next accompanied the merger announcement with a forecast that its pre-tax profits would rise to about £27m in the year ending August 1986, compared with £20.1m last time, when turnover was £146m.

Next is offering 21 of its own shares for every 10 of Grattan.

Lex, Page 14

# Print union merger talks 'put at risk'

INCREASING tensions between the print unions National Graphical Association (NGA) and Sogat '82 over the introduction of new technology in provincial newspapers could jeopardise amalgamation talks now in progress, Mr Tony Dubbins, the NGA's general secretary, said yesterday, Helen Hague writes.

The two unions have moved closer together at national level during the five-month dispute with Mr Rupert Murdoch's News International. But the Trades Union Congress (TUC) has received five complaints form the NGA about Sogat's conduct in agreeing to direct input deals on provincial newspapers which cut across traditional NGA areas.

TUC officials have called the two unions to a crisis meeting to discuss the demarcation issues.

□ BRITISH Midland Airways yesterday became the first UK airline to compete directly with British Airways on international flights from Heathrow, London, to Amsterdam.

The service breaks a 67-year monopoly by BA and KLM. A day return costs £119, £40 less than BA or KLM.

□ THE LAST COAL to be mined in the Rhoodda valley, South Wales, was brought to the surface yesterday. The valley once had the world's greatest concentration of coal mining with 40,000 miners at over 60 pits, producing nearly 10m tonnes of coal a year.

□ A TOTAL of 11,564 business failures in Britain were recorded in the first six months of this year, according to the latest survey by Dun & Bradstreet. The figure compares with 11,424 in the corresponding period of last year.

# Gas consumers given price rise guarantee

BY LUCY KELLAWAY

GAS consumers will be given a guarantee that standing charges will rise no faster than inflation after British Gas has been privatised in November.

This was one of several amendments contained in a revised draft licence governing the regulation of the corporation, published yesterday.

Under the first draft, drawn up last December, British Gas was required merely to use its best endeavours to prevent any increase in real terms of standing charges. However the change is not likely to have much effect as the previous clause fell little short of a binding legal requirement.

Commenting on the changes, Mr Alick Buchanan-Smith, Energy Minister, said: "The revised licence provides consumers with the reassurance that British Gas will continue its traditional commitment to its customers after privatisation."

Three other changes, each a result of parliamentary debate, have also been made.

The elderly and the disabled, who were not singled out in the first draft, are to be assured of special concessions.

US example avoided, Page 10

# Building societies may raise rates

BUILDING societies hinted yesterday that they may have to consider raising the interest rates they pay to savers, following an estimated £200m fall last month in their net receipts writes Nick Bunker.

Preliminary figures from the Building Societies Association suggest that total net receipts from investors in June were between £250m and £300m, the lowest figure since March, 1985.

The Halifax Building Society, the UK's biggest, said inflows of funds from savers traditionally fell in June because of early spending on holidays

# Company disclosure criticised

BY LIONEL BARBER

MAJOR UK companies are avoiding full disclosure of their results as required by accounting standards and company law, according to a survey published yesterday.

There is particular concern about companies involved in takeovers and mergers and about off-balance sheet financing, where there appear to be wide differences in the way companies comply with accounting standards.

The survey, Financial Reporting 1985-86, published by the Institute of Chartered Accountants in England and Wales, covers the published accounts of 300 companies.

The survey suggests that the new accounting standards covering the effect of acquisitions – SSAP22 and SSAP23 – may not be tough enough to ensure full compliance. It notes that SSAP23 "merely repeats the very general requirement introduced by SSAP14 in 1978 to disclose sufficient information about the results of subsidiaries acquired to allow shareholders to appreciate the effect on the consolidated results."

This requirement has been widely ignored in practice, the survey states. It adds that there is a strong case for adopting US requirements to show the effect of combining the companies for the whole accounting period, covering turnover, profit before and after tax and earnings per share.

Several companies are criticised for the way they have treated an acquisition in their 1985 accounts. They include Trafalgar House, the shipping, construction and hotels conglomerate, which bought Candecca, the on-shore oil and gas business for £78m, and Comben, the housebuilders, for £44m; Hanson Trust, the acquisitive industrial holding company which paid £245m for London Brick; and BAT Industries, which bought Eagle Star, the insurance company, for £968m.

The latter two are criticised for not showing the effect of interest payment as a result of cash raised to finance the purchases.

In the case of off-balance sheet financing, the survey says that "the sophistication and proliferation of schemes and devices to promote (this) are now of such significance as to pose a threat to the ability of the accountancy profession to ensure that financial statements continue to give all the information in a proper manner necessary for the reader to understand the economic realities of the reporting entity."

The survey also notes that companies are increasingly reluctant to provide information about profits on a geographical basis. Only 28 per cent of companies (44 per cent last year) provide such a geographical breakdown, often preferring to split the information according to product area.

*Financial Reporting 1985/86 – a survey of UK published accounts, Chartac Books, the Institute of Chartered Accountants in England and Wales, 399 Silbury Boulevard, Milton Keynes, MK9 2HL.*

# The Eureka joint projects list

THE FOLLOWING joint projects were announced last night after the meeting in London of about 40 ministers from the 18 European countries involved in the Eureka programme of "industrial collaboration in high technology."

After the individual project's name and brief description of its field, the cost of the project is given in European Currency Units (1 Ecu=£0.64), followed by the proposed timescale in years and the participating countries.

**Wideband Telecommunications System Development.** Development of a Wideband Interconnection Module to form the basis of a future wideband ISDN capability. 100m, five years, France, the Commission, Italy, UK and interest expressed by

**Carmat 2000.** Car structures using new materials. 60m, four years: France, Germany, Netherlands, UK and interest expressed by Italy and Spain

**Eurocim.** Flexible automated factory for electronic cards including preparation of circuits and quality control of products (cards). 30m, five years: France, Italy and Spain

**Cerise.** European centre for image synthesis. To improve and market computer imaging technology. 8.5m; five years, France, Luxembourg and interest expressed by Belgium

**ES2:** Automatic design and production of custom chips using direct printing on silicon. 94m; three years: Joint venture involving firms in Belgium, France, Netherlands, Sweden, Switzerland, UK and interest expressed by Ireland, Finland, Norway and Turkey.

**Gallium Arsenide:** Integrated circuits—development of design and manufacturing processes for Gallium Arsenide monolithic microwave integrated circuits. 60m, three years: France, UK and interest expressed by Greece

**Advanced Mobile Robots:** Involving third generation fast moving robots for public safety applications such as natural disasters and anti-terrorism (Definition Phase). 100m: six years, France, Italy, Spain and interest expressed by Belgium, Denmark and Switzerland

**Monitor:** expert system for dealing with major plant failures and security control. 30m, four years, France, Norway and interest expressed by Germany and Italy

**East. Eureka Advanced Software Technology.** Developments of software factories incorporating software engineering. 141m, six years, Denmark, Finland, France, Italy, UK and interest expressed by Switzerland and the Commission.

**Parad:** Automatic production management system using AI developments. 3m, six years, Belgium, France, Netherlands, Switzerland and interest expressed by Germany, Italy, and the Commission

**Diane.** Automatic integrated system for neutronography. Non-destructive use of neutron beam in the quality control of large, complicated components manufactured from new materials. 15m, four years. France, Spain, Germany and interest expressed by the Netherlands

**Destruction and Detection of Chemicals by Laser Beam:** Use of high powered lasers for the detection and destruction of impurities in finished products and in waste products. 9m, five years, Belgium, France, Netherlands and interest expressed by Germany, Italy and Switzerland

**GTO thyristom:** Development of complete set of gate turn-off thyristors for application in railway traction systems. 23m: two years: France, UK and interest expressed by Austria and Italy.

**Chrome Tanning Salts Substitutes:** Development of techniques to treat leather, replacing chrome by aluminium 2.5m, three years. Austria, Greece, Spain and interest expressed by Turkey

**Galene 2000:** Development of automatic non-invasive medical diagnostic equipment based on new sensors and AI. 60m; three years. Denmark, Spain and interest expressed by France, Netherlands and Switzerland.

**Vehicle Noise Identification:** Development of a new methodology to allow more accurate and automated identification of noise sources in transportation vehicles. 1.6m: four years: Belgium, Germany and interest expressed by Sweden and UK.

**Apex** Advanced project for European information exchange—application to aerospace industry. 30m; five years: France, Germany, Italy, UK and interest expressed by Belgium, Netherlands and the Commission.

**Development of New Materials for Car Engines:** Development of ceramic and new metallic components for car engines. 15m: five years, France, Italy and interest expressed by Denmark

**Fan (NS):** Manufacture of pilot equipment to produce then prove the feasibility of manufacturing, flow line style, high pressure sub-sea pipes. 2m: two years for first stage. Norway, UK and interest expressed by Spain.

**Use of Ceramics in Gas Turbines:** Establishment of performance gains to be expected from introduction of ceramics into gas turbines of power up to 10Mw. 16m; five years: France, Italy, Sweden and interest expressed by Ireland, Norway, Spain and Turkey.

**Modular Image Processor:** Production of modules and two prototypes of an integrated modular processor. 7m; four years: France and Sweden.

**Euromar:** Development and application of modern technologies for the exploitation of ecological relations and cause-and-effect chains in European seas. 164m; nine years: Denmark, Finland, *Germany, Netherlands, Norway, Turkey* and interest expressed by Greece, Italy, Ireland, Spain and UK.

**Desire:** Development of an all dry single-layer photolithography technology for sub-micron devices. 4m; three years: Belgium, UK and interest expressed by Ireland.

**Gas Proportional Scintillation Counter:** Development, production and marketing of gas proportional scintillation counters 4m: four years; Portugal and UK.

**Prospect for Construction Techniques:** Development of an industrialised infrastructure system for urban construction techniques. 9.2m: five years: France, Italy, UK and interest expressed by Germany.

**Proteus Design:** Development of a complete and integrated system of instrumentation and computer analysis capable of solving 30 structures of small and medium sized proteins. 16m, five-ten years; Denmark, *Germany and interest expressed by Italy.*

**Light Materials for Transport Systems:** Development of technology for welding aluminium alloys by electron and laser beams; and development of multi-layer composite materials. 15m; four years, France, Germany and interest expressed by Spain.

**European Software Factory:** Design and creation of a database with programming modules accessible to firms engaged in software development. 327m, eight years: France, Germany, Norway, Spain, Sweden and interest expressed by Ireland and the Commission.

**Prometheus:** To create concepts and solutions which will point the way to a road traffic system with greater efficiency and economy, with reduced impact on the environment combined with a higher degree of safety. 15.5m for first year; eight years: France, Germany, Italy, Sweden, UK and interest expressed by the Commission.

***Ceramics for Diesel Engines.*** Development of new, efficient fibre reinforced ceramics, for diesel engines for commercial vehicles. 14m 5 years: France, Germany and interest expressed by Spain

**Universal Modular Colour Display System for Process Control.** Universal modular colour display system for process control. 1m; 3 years; Finland, Germany and interest expressed by Italy.

**Sub 0.1 Micron Ion Projection:** Developments in telecommunications and Gate processing call for an increased integration of electronic components to be obtained: (1) by further reduction of the width to be mastered in mass production; and (2) by improvements in materials technology. 5m: Between 3-5 years; Austria, Germany and interest expressed by the Commission.

**Operating Room 2000:** Integrated work place for operating room and intensive care units as part of a hospital automation systems. 13m; 5 years; Germany, Netherlands, UK and interest expressed by Italy.

**Eau Claire:** To develop a systematic approach to further reducing water pollution levels, with the River Rhine basin as a model example. 0.8m for definition phase: 8 years: Belgium, Netherlands and interest expressed by UK.

**Transpolis Transpotel:** Physical distribution centres with provision for an integral data and communications processing system 40m: 3 years: Netherlands, Switzerland, UK and interest expressed by Austria and Germany.

**Carminat:** System for the acquisition, transmission, processing and presentation of information to improve the safety of the driver and to make trips easier and more efficient. 52m; 4 years; France and Netherlands.

**Prolog Tools:** Development of software tools in the programming language Prolog aimed at expert systems. 2m; 3 years for first phase: Belgium, Germany and Switzerland. Interest expressed by the Commission who will wish to consider a possible future merger with very similar Esprit project.

**Sunflower Seeds:** Production of new commercial varieties of sunflower with high oil content, suitable for arid zone conditions. 4m: 10 years; France, Spain and interest expressed by Turkey.

**Europolis:** Intelligent control systems to aid urban and inter-urban traffic and advanced metropolitan information control and monitoring. 128m: 7 years: Denmark, France, Italy and Spain.

**Oxidipene:** Pharmacological and clinical development of oxidipene, a calcium antagonist, and studies of related structures. 6m: 8 years: France and Spain.

**Integrated Sensors for Large Scale Applications:** Integration of sensors in the production line using photolithography techniques and microelectronics. 27m; 5 years: France and Switzerland.

**Moses:** Development of multi-media data base services with integration of the multi-media features in the whole chain of equipment. 75m; 3 years: Belgium, France and UK.

**Crop Management Expert Systems:** Development of a range of expert systems, software and ancillary hardware for use in crop management on farms. 0.6m; 3 years: Netherlands and UK.

**Computerised Engineering:** Development of a computerised engineering system. 17m; 3 years; Spain and *Switzerland.*

**Fieldbus:** Communications architecture based on local area networks for real-time control of industrial processes and machines. 25.6m; 5 years; Finland, France, Italy, Portugal, UK and interest expressed by, Germany and the Commission.

**Fast Prototyping Service for Silicon Application Specific ICs (ASICs):** Development of compatible design and manufacturing tools for Asics. 30m; 5 years; France and UK.

**BD11:** Development of a database for distributed expert systems on low-level computers, using the Pick operating system and "C" language. 20m; 5 years: France, Spain and interest expressed by Denmark.

**Ada Realistic Software Workshop for Real-time Applications:** The project aims to combine available components to provide Ada language programming environment for real time application. 4.3m; 2 years: France and UK.

***Electron Beam Welding:*** To design and develop for industrial use a cost effective method of welding steel of up to 100mm thick at atmospheric pressure. 2.4m: 4 years: Spain, Sweden and UK.

**High Performance Signal Processing for Laboratory Environments:** Development of high performance analog-to-digital convertors for nuclear electronics applications and signal correlators compatible with standard and latest generation microcomputers (IBM PC, XT AT and RT). 0.4m; 2 years; Portugal and UK.

**Hercule:** Applications of robotics to the construction industry to eliminate laborious and dangerous physical tasks and improve productivity. Two products are envisaged—a load manipulating crane (robot Atlas) and a platform-mounted robot (GEO) for working on tall buildings or large structures. 22m; 5 years: France and UK.

**Polyvalent Measuring System for Hazardous Gases:** Development of low-weight, easily operated equipment, able to identify and measure simultaneously many hazardous gases. 2.8m: 4 years: Belgium and Finland.

**HDTV:** Development of a 50 Hz-based HDTV system along an evolutionary development from the Mac-packet concept; and compatibility with Mac-transmitters and receivers. 180m: 8 years; France, Germany, Netherlands, UK and interest expressed by Belgium, Italy and the Commission.

**Bobinage Supra Conducteur:** Study of properties which are essential for the development of technology to produce high powered magnets. 8m; 3 years: Austria, Switzerland and interest expressed by Netherlands.

**Designs and Technologies for High Power Semiconductor Devices:** Development of new techniques, new design of components and environmentally acceptable use of energy in order to achieve further development in high power semiconductor technology. 5m: 2 years; Sweden and Switzerland.

**Fishing Vessel for Year 1990:** Development of technologies necessary for the conception, construction and exploitation of industrial fishing boats. 58m: 5 years: France, Spain, Norway and interest expressed by Greece and UK.

**Malaria Vaccine:** Experimental research on, and development of, malaria vaccine and serum. 11m; 4 years: France and Germany.

**Mass Production from Animal Cells Culture by a Continuous Process:** Animal cell culture applications by implementing processes at industrial scale, permitting either a mass production of one specific chemical by a process during a large period; or versatile and adaptable production of small quantities of a large spectrum of products, like monoclonal antibodies to be used in diagnostic activities. 25.5m; 3 years; Austria, France, Italy and interest expressed by Germany.

**Prouction of Precursor for High Performance Ceramic Materials by Wet Chemistry:** High-technology ceramics have excellent mechanical properties under heavy stress, outstanding electrical and optical properties and exceptional resistance to high temperatures and corrosion environments. 2m; 3 years: Austria, Belgium and interest expressed by UK.

**PACA—Absorption Heat Pump Project:** Research, development and industrialisation of absorption heat pumps (PACA, type I) and heat transformers (PACA, type II) for industrial use and high power applications. 10m; 5 years; France and Germany.

**Mithra:** The development, industrialisation and sale of mobile robots for telesurveillance. 33.3m; 4½ years; France, Italy and interest expressed by Switzerland.

***Stables:*** *Development of an advanced power generation system, compounding a diesel cycle to that of an industrial gas turbine.* 47m; 7 years; Belgium and France.

## UK NEWS



# Market share of 25% sought by Iveco Ford

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

IVECO Ford Truck, potentially the most powerful force in the UK heavy truck market, begins operations today with the objective of capturing a 25 per cent market share by 1988.

In the short term, however, there are signs thet the uncertainties caused by the formation of the company have done some damage to Ford's performance.

By the end of May, Ford's sales of trucks over 3.5 tonnes gross weight had slumped by nearly one quarter from 4,183 in the first five months of 1985 to 3,165. Its market share dropped from 16.9 per cent to 13.3 per cent and it fell from first to third place in the heavy truck league, behind Leyland and Daimler-Benz, the Mercedes group.

Iveco, the Fiat-owned heavy vehicle producer which is Ford's partner in the new company, suffered a 5.5 per cent fall in UK registrations in the five months, from 910 to 860.

Some observers suggest the disappointing performances stemmed from hectic changes which have been taking place as Iveco Ford Truck (IFT) started to weld together two dealer networks in Britain.

IFT insists that Ford will show a substantial recovery for June because an incentive programme for its dealers came to a peak last month and boosted sales considerably.

The company is confident that it can reach its 25 per cent market-share target because it claims to have the strongest dealer network in the UK, with dealers who have the necessary financial strength and are ready to handle a succession of new vehicles about to emerge from Iveco's factories on the European continent, as well as additions to the Ford Cargo range of trucks.

Iveco, Western Europe's second-largest heavy trucks group, had 39 dealers in the UK and Ford 121 truck specialists.

The total has been whittled down to 115, with losses from both sides, all of whom will receive substantial compensation. Of the 115 dealers who now form a unified IFT network, 50 have been classified as specialist heavy truck dealers and will sell the full range of Iveco and Ford trucks, including those from 28 tonnes upwards which the others will not handle.

Max Wilkinson examines the privatisation of British Gas

# US competition example avoided

HISTORIANS of the Thatcher Government may find it odd that its privatisation programme laid so much more emphasis on changing ownership than improving competition – especially in the case of British Gas.

Although the sale of the whole of British Gas in November will be easily the Government's most ambitious flotation, it will make remarkably little difference to the corporation's monopoly position or to the structure of the gas market.

The decision to privatise the corporation as one huge integrated concern is thrown into particularly sharp relief by the revolution which is now under way in tha US gas industry.

The private enterprise gas utilities in the US provided an important example which persuaded the Government that gas could be safely put in private hands in the UK.

However, the US industry is now moving in e radically different direction from the course which has been charted in the UK Gas Act and the licence under which British Gas is to be privatised.

In Britain the same company will sell gas to almost all consumers; it will operate the whole of the pipeline network, it will control some gas production, and it will remain effectively the only buyer for most gas produced from the UK Continental Shelf.

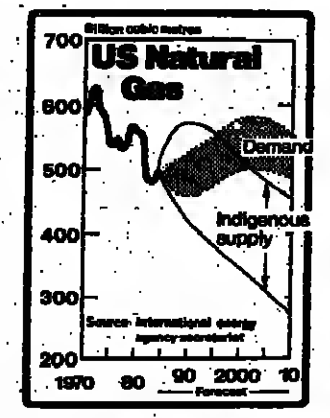
In the US, on the other hand, the 1,500 gas utilities, 700 of them in private ownership and the rest municipally owned, are being given more and more opportunity to shop around from their gas from competing suppliers.

A vigorous spot market has become established in gas, accounting for up to a third of the supplies bought by pipeline companies. This market has responded to the pressures of lower oil prices and a surplus of potential gas supplies by driving down gas prices to the benefit of the consumer. Spot gas prices in the US have been as low as $1.50 to $1.75 per thousand cubic feet (Mcf), some 30 to 40 per cent below the average price received by producers in 1984.

However, the transition from a highly regulated system characterised by long-term contracts to a more market-based industry is not without pain and difficulty.

Thousands of pages of new regulations have been necessary to try to ease the straitjacket of older rules: controversies have raged over almost every clause, and many battles are still being fought.

At the centre of this turmoil is the Administration's decision to deregulate prices charged at the well-head by gas producers for all gas discovered after 1977, and more recent efforts to encourage pipeline companies to open up their systems to third parties.




The pipeline companies traditionally operated as wholesalers, buying gas often and long-term "take or pay" contracts from oil companies and other producers, then selling it to ntilities and industrial consumers, often also on a "take or pay" basis and all at regulated prices.

However, from January 1985 price control at the well-head was phased out for 60 per cent of gas. Then in October the Federal Energy Regulatory Commission issued the now famous Order 436 which established the rules under which the pipeline network could be opened up to third parties.

It also allowed utilities to phase out their contracts with pipeline companies; to make deals direct with producers and then pay a fee for the transport of the gas.

But Rule 436 failed to solve a serious difficulty: prices for the pre-1977 gas still subject to regulation were often far out of line with market-rates. Some early vintages remained hopelessly cheap from the producers' point of view, while some more recent vintages had a regulated price tag so high that the gas could not be sold.

Pipeline companies locked in to long-term contracts were in some cases able to average out toe expensive and the cheap gas.

However with 15 per cent overcapacity in the industry and plenty of cheap spot gas on the market, the temptation to unscramble these higher priced contracts proved irrestible. Several spectacular law suits have resulted, but in many cases deals have been struck in which producers have traded their rights under existing contracts in exchange for a new deal which will mop up their surplus capacity.

The labyrinthine complications of the paperwork surrounding these changes was one of main factors which persuaded the British Government to opt for a monolithic industrial structure and a regulatory framework in which simplicity has been preferred to efforts to promote competition.

# Daimler-Benz launches T2 heavy van range

BY OUR MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ, the Mercedes group of West Germany, expects to build its share of the declining UK market for heavy vans from 25 per cent to 30 per cent by 1990 with the help of a new range, the T2 vans, launched in Britain today.

The group's UK subsidiary also hopes to benefit from the damage for midi-buses which might be caused by deregulation of bus services in Britain. The UK model line-up of the new T2 includes versions ready for conversion to midi-bus or coach specification, accomodating 21 to 25 passengers.

The T2 vans compete with Fiat's Iveco Z range, the Dodge 50 vehicles – made in the UK by Renault Truck Industries – and the top end of the Volkswagen LT van range.

Both BL and Ford in the UK bowed out of the heavy van business some years ago.

The T2 models, which cost at least DM 100m (£30m) to develop, were introduced in European continental markets in April to replace the group's Düsseldorf vans. They cover a weight range between 4.6 and 7.5 tonnes gross.

The range for the UK includes versions downrated to 3.5 tonnes, the weight level above which an operator's licence is needed in Britain.

In the UK, the 3.5 to 7.5 tonnes van sector has declined from a peak of 11,000 sold in 1979 to only 5,700 last year as users switched to lighter vans, such as Mercedes' own Bremen vans.

# Scargill renews pit closures strike call

BY PHILIP BASSETT, LABOUR EDITOR

MR ARTHUR Scargill, president of the National Union of Mineworkers, yesterday issued to miners an uncompromising battle cry, explicitly rejecting any moves towards moderation in the wake of the 1984-85 coal strike and calling for renewed industrial action against both pit closures and the Government.

Though it was sharply criticised by some NUM leaders – one accused him of "living in the past" – Mr Scargill's keynote speech at the opening of the NUM's annual conference at Tenby, in South Wales, was a wholly absolutist restatement of the principles on which the strike was fought, drawing in nothing from post-strike experience other than a reinforcement that the strike and the action of the NUM's leadership was both correct and "sooner rather than later" would have to be repeated.

His defiantly class-based, unbowdly militant call will be seized upon by some other union leaders on the left as a rally cry, though others will be chastened by the fact that Mr Scargill is still promulgating the same themes, analyses and solutions even though they believe his union has virtually collapsed and neither it nor their own are in any shape to respond to such calls.

As an indication of this, his speech was not applauded by NUM delegates from the left-led, but pragmatic, Scottish and south Wales coalfields, and from union's white-collar sections.

After the speech NUM area leaders were sceptical, though some were drawing comfort from Mr Scargill's specific point that "above all, we should trust our membership," as an indication of some change.

But Mr Eric Clarke, Scottish secretary, said that the demand for industrial aciton was not there. Mr Trevor Bell, from Cosa, said that no amount of rhetoric would disguise the fact that the union had lost the strike, and that the members would not take action. Even Mr Jack Taylor, Yorkshire area president, said he was not convinced that the union could get its members to take action.

In his address, Mr Scargill was unequivocal: "We can either surrender or fight back. There is no middle ground." Accommodation or placation was surrender: the only effective action was to mobilise and fight.

He warned that unless the NUM was prepared to take "positive action", then over the next few years, up to 42 further pits would close or merge, with 60,000 further jobs lost, on top of the 43,000 lost since the beginning of the strike.

He said: "Sooner rather than later, the British miners will have to take organised and united action to halt the continuing disintegration of the coal industry, and the further decimation of jobs."

A regeneration of the principles "magnificently" embodied in the strike was the only way to defeat the attacks of the Government. "The only way we can win justice for our members and stop the onslaught on our industry is to take industrial action," he said.

# THE ARTS

## Tosca, Maggio musicale fiorentino/William Weaver

# The Vatican will not have to worry about this

The 49th Florence festival, under the special artistic direction of Zubin Mehta, has been running for over a month and, till now, has not had a good press. And for the past couple of weeks the local papers have been full of debate about the heralded production of Puccini's *Tosca*, under the direction of Jonathan Miller.

Miller announced his intention to shift the action of the story from the Papal Rome of Napoleonic times to the Fascist, Nazi-occupied capital of 1943—the Rome of Robert Rossellini's great film *Open City*. Italian politicians dearly love a debate, a *polemica*; and so, when Dr Miller had barely begun rehearsing, a local official issued fiery statements to the effect that, among other devilment, Miller's staging was offensive to the Catholic Church.

Well, *Tosca* opened—to an alert, capacity audience—and the Vatican will not have to worry. If anything, Miller's version is less damaging to religious sensibilities than the traditional staging, which usually brings on at least one cardinal for the grand Te Deum procession at the end of Act One.

The unit set by Stefanos Lazaridis establishes the tone. Three dull-grey Palladian walls, windows sealed against the blackout, a chapel boarded up, a crazily-tilted platform as the playing area (presumably to tell us that we are in a world gone askew). In the event this platform seems the production's one serious mistake. The singers are visibly uncomfortable: Spoletta has to grip Scarpia's desk to keep steady, and Tosca, when she faces right, leans forward, one leg akimbo, as if she were bracing herself against a strong wind. In general, the performers move stiffly unnaturally.

There were other smaller miscalculations. At the end of Act Two, instead of placing candles and crucifix by the corpse of Scarpia, Tosca empties the contents of his filing cabinet over the body. Thus a solemn, character-revealing act is trivialized into petulance. But this is a handsome and coherent staging, and the opening-night audience was justified in awarding it a warm, extended ovation. This may not be a *Tosca* one would want to see many times, but it was, after all, being presented in a festival: and, virtually by definition, a festival should not offer events that can be seen during a normal season. This is a lesson that the Maggio musicale has too often forgotten.

The enthusiasm of the audience was addressed not only to the producer but also to the interpreters; especially, it seemed, to Zubin Mehta. Undeniably Mehta had the sometimes scrappy Florence orchestra playing smoothly, gracefully. At times all too smoothly. One missed the frequent swells and surges of Puccini's score; even some of the big, familiar climaxes lacked incisiveness.

This understated reading might have worked with different singers but the cast at the Comunale consisted of three generous but unsubtle performers. The best was Silvano Carroli, a Scarpia in the big, blustering Guelfi mould (light-years from the insidious Baron of Tito Gobbi). Dr Miller made him crawl and grovel, but still he towered over the others, even over Eva Marton, a much-larger-than-life Floria. Marton sang coarsely; she abused chest tones and parlato, and in the end failed to convince. It was often enjoyable to watch her, but it was never moving. In his first act aria and in the cry of "Vittoria" in Act Two, Giuseppe Giacomini seemed in vocal difficulty. In the third act, he was more affecting. But the best performance of the evening came from the veteran Italo Tajo, whose shambling, snuffling, craven Sacristan came from another age (and another *Tosca*).

Silvano Carroli and Eva Morton in Act Two of "Tosca"

In a press conference held a few hours before curtain-time the Teatro Comunale's recently-named general manager, Giorgio Vidusso, announced attractive plans for the coming autumn and winter season. New productions (include *Gioconda*, long absent from the Florence stage. Vidusso is not only an administrator of proven ability; he is also a trained musician. Perhaps we can hope that a turning-point in the Comunale's fortunes is in the offing. If only the local politicians will let him go ahead with his job. . .

Meanwhile, London audiences will be able to judge the Miller *Tosca* for themselves. It is, in fact, a co-production with the ENO, and thus will turn up in January in St Martin's Lane in London.

## Thomas Allen/Covent Garden

**Max Loppert**

Sunday's "Celebrity Recital" was Mr Allen's first solo concert at the Royal Opera House (he has previously shared here a Wolf *Italian Songbook* with Ileana Cotrubas). It left proof that certain aspects of his Lieder singing are forging ahead confidently.

In the past, during other London recitals by the baritone, I have found myself continually regretting the low-keyed, earnest, even apparently inhibited approach to the high art. The complaint that one made was the reverse of the one usually uttered of famous operatic singing-actors who take to the recital platform: one was left wanting a turning-up of the intensity button, a more assertive command of a song's details and subordinate parts.

On Sunday, much of the Schumann *Dichterliebe* performance that the baritone gave with Geoffrey Parsons satisfied such wants far more thoroughly than one dared to hope it would. Not immediately: "Im wunderschönen Monat Mai" moved too slowly, and the articulation of the following few songs, though warmly sympathetic, lacked something in glancing swiftness of imaginative detail.

Then suddenly, in the Rhine-song, Mr Allen began to combine an actor's armoury of verbal nuance (and facial expression) with a wide range of vocal shading. Different tones and manners were quickly and precisely assumed — here, in "Ich grolle nicht" (with a brave high ending), and, best of all, in "Ein Jüngling," which he tossed off with a light, razor-sharp half-smile. The dramatic line of the cycle was kept taut in its progression; the voice sounded not just beautifully focused (apart from a passing thinness at the lower end), but bent on its purpose, and concise in its suggestive powers.

This telling mastery of delivery was not wholly maintained in the second half — a Brahms selection of ten songs, too many of them slow and moony for satisfactory group balance. Again, the beginning few were rather too gently scaled; but once the longer lines and larger outpourings of "Nachtigall" and "Ständchen" were reached, the sense of decisive engagement grew greater.

If a notice of a Thomas Allen recital continues to take a more carping, qualified line than one would like it to, this is because great things are expected of him — in Lieder no less than in opera. At least on this occasion he showed them to be ever more nearly within reach.

## Artist of the Day/Angela Flowers Gallery

**William Packer**

It is not uncommon for galleries to have good ideas; but it is less usual for them to bear repetition. Every July for four years the Angela Flowers Gallery (at 11 Tottenham Mews, off Tottenham Street, W1) has asked ten artists to nominate another who deserves a London showing.

*Artist of the Day* is no exercise in cobbling together a miscellaneous exhibition; each nominee has the gallery at his or her full disposal for a day, to fill as he or she pleases. As the doors close in the evening, today's work comes down and tomorrow's goes up, which entails an immense amount of work for the artist and ten times as much for the gallery.

As far as I know, no artist has failed to turn up, get the work in and open on time. The fun is the constant surprise at what is shown, as quiet undemonstrative excellence succeeds the outrageous, the extravagant and the high spirited. The point is to go along as often as possible, quite as much to savour the incongruities that the sequence throws up as for any particular treats. The artist of the day is in attendance, with his sponsor, friends and supporters coming and going, and there might even be something to drink on a hot summer's day.

The first artist, showing yesterday, was Charlie Holmes, who hides his talent under the bushel of a teaching post at Sunderland Art College, but the elegant and serious wit of his conceptual tableaux and visual propositions must bring him back to London soon. He was nominated by Les Coleman, with whom he sometimes works.

Today it is Sarah Jane Harper, the nominee of David Leverett, showing paintings and drawings of the nude, the female nude especially. Tomorrow comes Emma McClure (William Crozier), again with paintings and drawings, though of a more generalised figurative character. Peter Griffin appears on Thursday (Terry Frost) again with large paintings and drawings of the figure, and Lucy Jones on Friday (Oliver Bevan) with figure paintings and rather fauve-like riverscapes of the Thames at Waterloo and Westminster.

Next Monday, July 7, is the turn of John Carson (Rita Donagh) who uses photographic imagery and processes of all kinds for his socio-political, somewhat polemical installations. Next comes Sarah Creddock (Albert Irvin) with rather light and delicately expressionist figure compositions, and Sarah Lee on Wednesday (Peter de Francia), again with paintings of the figure, heavily symbolic and fiercely expressionist in character. Thursday is shared by Sarah Shane and Aaron Kasmin (Gillian Ayres, who stretched the rules by choosing two), showing large and vigorously decorative canvases, and small painted reliefs and drawings. Last of all, on Friday July 11, comes Ainslie Yule (Carole Hodgson), a sculptor who is to show tall free-standing tripod and quadruped figures, abstracted and unspecific images cobbled together of wood and plaster that have yet a strangely animated presence.

*

A year or so ago the Maclean Gallery (at 35 St George Street, W1) closed its doors, and for its final show put on an exhibition of erotic prints and drawings of the last 200 years. The exercise evidently bore repetition, for now James Maclean and his partner, Tim Hobart, have temporarily reoccupied the old space, which is now Peter Biddulph's Gallery, for a second exhibition, which they call *The Forbidden Library* (until July 18), subtitled as erotic illustration from the 18th century to the present day.

Some of the work may still shock the determinedly disapproving, and rather more of it is sure to astonish, but none of it should actually surprise, for the organisers have been careful to make it quite clear the nature of the material and no juvenile is allowed through the door. The serious point of the exhibition is that the prurient imagination can engage us all with a sense of guilt at our own curiosity, of which the real erotic imagination can be quite free.

With content that is so strong, the formal qualities are easy to overlook, and to insist on them can seem somewhat arch, but even the greatest artists have concerned themselves with the erotic, some openly, some in secret, and it would be perverse to deny the quality of such work by virtue of its subject. There is nothing of great art in this show, but a great deal of it is very good.

"Summer on Waterloo Bridge," by Lucy Jones, Friday's artist

## Wham/Wembley Stadium

**Antony Thorncroft**

At Wembley Stadium on Saturday night, in front of 80,000 people (well, mainly pubescent girls), an unshaven 22-year-old millionaire, George Michael, finally managed to shake off "Mr Ridgeley," an old school chum who, for four years, had attached himself to Michael, and, as well as being more handsome, had the confidence to appear in public holding a bass guitar.

It was the end of Wham, the most successful British band in years, but hardly the end of Michael or of Andrew Ridgeley who may well prosper now he has escaped the constant bear hugs and the condescension of the bigger talent. For there is no grudging Michael's talent—as a songwriter and as a fantasist.

Most rock stars satisfy the fantasies of young girls. Watching Michael, you can't help but feel he acts out his own fantasies; he struts and postures, thrusting out pelvic bones, exposing an inch of armpit, winking at the camera — like all Stadium concerts the show can only really be seen through giant screens.

Most egos would keep this sort of behaviour to the bathroom mirror but Michael knows no shame, and judging by the knee-jerking response of the audience you can't be too subtle with sex. As one banner said, he reached parts no other man could reach; another asked him to do something which would have resulted in immediate arrest. He had them in thrall to the loose leather jacket which he kept on during the hottest evening of the year, and the way he smothered us with soft soap augurs a long career in Las Vegas.

On such an occasion the music is incidental. It was lost amid the mutual expressions of love; the organised screaming; the orchestrated waving; and the chorus rehearsals. At some stage I think Elton John came on dressed as a clown, a doomed attempt to up-stage the ebullient Michael, who dashed for miles along the extended platforms, working as hard as an entertainer at a children's party—which is what it was.

All the songs, from "Wham rap" to "Edge of Heaven," were squeezed in somewhere, and when that shivery sax solo from "Careless Whisper" started up, and the crowd clutched one another for support as the last chords of Wham approached, it was impossible not to thank the boys for making the lives of millions of people fleetingly more fanciful and pleasant.

## LIFT 1987

**Antony Thorncroft**

Another London International Festival of Theatre is planned for 1987—and it should be the biggest ever. The founders, Rose de Wend Fenton and Lucy Neal are making a drive to attract commercial sponsors; they hope these will contribute £100,000 to match a similar sum from the Arts Council. The Richmond Scheme and the Visual Arts Unit will also subsidise what is the UK's only opportunity to see numerous theatrical performances from companies based outside the UK and, in particular, from Third World countries.

The major attraction next year will be six weeks' worth of performances by Peter Brook's company in *The Mahabharata*. Another £100,000 in sponsorship is required to ensure the appearance of this Indian epic, which is performed either in a 10-hour version or in three parts. LIFT is hoping to stage it in a redundant tobacco warehouse in the London Docks district, and the RSC will co-sponsor the occasion. It will be played in English and, later, it will tour the world.

The three-week Festival will cost £250,000 to stage, plus the extra costs incurred with *The Mahabharata*. To help ensure that it will go ahead, Geoffrey Howard-Spink, who runs a successful advertising agency, has become a director of the Festival with the task of raising sponsorship. Lord Gowrie has agreed to be chairman. He hopes that his company, Sotheby's, will be one of the supporters. IBM is also expected to help the venture.

## Isserlis & Devoyon/Wigmore Hall

**David Murray**

The Wigmore "Sunday morning coffee concerts" are a regular boon and splendid value: an hour's worth of serious music (without interval) before lunch, and then free sherry to encourage relaxed chat.

Shephen Isserlis and Pascal Devoyon offered a model programme—all Fauré, with the 2nd Cello Sonata and the stately Theme & Variations for piano as their main dishes, and salon-pieces as savouries and sweets.

Nobody could serve those small occasional numbers more unpretentiously and sweetly than Isserlis, whose warm tone (he sticks to gut strings) answers perfectly to his singing style, not effusive but full of delicate feeling. He has made the Second Sonata very much his own; it is broader stuff—though nothing like so grand and uncompromising as the First—and it gained substantially by Devoyon's firm, muscular piano-playing. Perhaps the chuckling lift of the Finale was a little subdued, without the full sense of sunlight breaking through after the grave Andante.

The op. 73 Theme & Variations is a richly sober work, not at all showy and therefore rather neglected. (Fauré composed it as a test-piece for Conservatoire students). Devoyon expounded it with thorough understanding and an unerring ear for Fauré's side-stepping harmony. As with the Cello Sonata, all that was missed was an access of light at the end: the last variation is a glowing benediction, and Devoyon's purposeful fingers made it unduly stern. About his command of the musical idiom, however, there could be no argument at all.

## Henze & Knussen/Almeida

**Andrew Clements**

Friday's programme at the Almeida had already been shortened by two works, but the six premieres of one kind or another that remained still made for an over-extended and only intermittently rewarding evening. The concert was the second to be given by the Almeida Festival Players under the artistic sponsorship of Hans Werner Henze and Oliver Knussen. Knussen himself was represented by *The Sazon Shore*, two atmospheric movements compiled from his incidental music to David Rudkin's play of the same name, a tailoring job carried out with characteristic fastidiousness. Henze's premiere was the first British performance of *Cherubino*, three miniatures for piano for which his publisher's most recent work list offers no date, but which presents the composer's recent style in persuasive keyboard terms.

Of the remaining quartet of works, easily the most striking and accomplished was Peter Lieberson's *Feast Day*, whose instrumentation suggests a companion piece to Elliott Carter's Sonata for flute, oboe, cello and harpsichord, and whose chaste, slightly wiry lyricism evokes something of the same American neo-Classical spirit. Geoffrey King's Sonata for two pianos was linguistically conservative but generated music of carefully controlled sweep and sonority. Over Marcel Wengler's trio for violin, clarinet and piano, it is best to leave a discreet veil of silence, but the Symphony for harp, keyboards, and percussion by David Paul Graham overcame the handicap of its programme note to suggest a composer with some striking structural and expressive ideas at his command, even if they were not consistently realised in this score.



## Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

### Opera and Ballet

June 27-July 3

**LONDON**

**Royal Opera House**, Covent Garden: A long-awaited new production of Fidelio marks Colin Davis's final appearance as Royal Opera chief conductor. The producer is Andrei Serban; the cast is led by Elizabeth Connell, James King, Hartmut Welker, and Gwynne Howell. (240 1066).

**English National Opera**, Coliseum: Last two performances of the season – Donizetti's Mary Stuart with Faith Elliott in the title role, and the company's beautiful modern reworking of Dvorak's Rusalka. (836 3161).

**Royal Opera House**, Covent Garden: The Royal Ballet has a varied programme. (240 1066).

**Coliseum**: Dance Theatre of Harlem season opens on Tuesday until July 12. (836 3161).

**PARIS**

**Die Zauberflöte** in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

**Salammbo** alternates with Don Quixotte in Rudolf Nureyev's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original opera created by Petipa in 1869 to music by Minkus. Paris Opera (42665022).

**Mozart Festival** – Don Giovanni is co-produced by the Orchestre de Paris, Washington Opera and the Théâtre des Champs Elysées, conducted by Daniel Barenboim, Orchestre de Paris choir conducted by Arthur Oldham in Jean-Pierre Ponnelle's production at the Théâtre des Champs Elysèes (47234777).

**WEST GERMANY**

**Berlin**, Deutsche Oper: Rigoletto, a Hans Neuenfels production has Ingvar Wixell, Barbara Hendricks and Dano Raffanti. This week's highlight is Tristan und Isolde starring Ingrid Bjoner, Spas Wenkoff and Martti Talvela. Also Dieter Siebert's Untergang der Titanic and Tosca. (34 381).

**Hamburg**, Staatsoper: A concert version of Boito's Mefistofele with Gabriela Benackova, Galina Savova and Samuel Ramey, conducted by Giuseppe Patanè (35 11 51).

**Frankfurt**, Opera: The last performance this season will be Der Rosenkavalier. The cast includes Ellen Shade, Marianne Rorholm, Susan Roberts and Dieter Weller. (25 621).

**Cologne**, Opera: Zar und Zimmermann has fine interpretations by Marianne Hirsti, Franz Grundheber and Martin Finke. Figaros Hochzeit, sung in Italian has Janice Hall, Andrea Andonian and Claudio Nicolai (20 761).

**ITALY**

**Rome**: Terme di Caracalla: The Rome Opera summer season opens with Alberto Fassani's production of Lucia di Lammermoor (the first performance at the open-air theatre here for over 30 years). Edita Gruberova sings the title role, with Alberto Cupido as Edgardo and Juan Pons as Enrica. The young Friedrich Haider conducts and the scenery and costumes are by William Orlandi. (46 17 55).

**Milan**: Teatro alla Scala: Le Martyre de Saint Sebastien by Debussy conducted by Sylvain Cambreling, and directed by choreographer Maurice Bejart. Scenery and costumes are by Maurizio Balo. Eugene Onegin, conducted by Seiji Ozawa (on Thur by Armando Gatto) and directed by Andrej Konchalovsky (80 91 26).

**VIENNA**

**Staatsoper**: Manon Lescaut conducted by Sinopoli with Zampieri, Hintermeier, Helm, Mauro, Rydl, Gahmlich; La Boheme conducted by Guadagno; Carmen conducted by Weikert with Baltsa, Borovska, Carreras, Gyldenfeldt. (53 24/26 55).

**Volksoper**: The Magic Flute; Der Vogelhändler; Der Opernball (53 24/26 57).

**NEW YORK**

**New York City Opera** (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quixote, the New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) starts with a week of Bernstein's Candide. Lincoln Center (870 5600).

**TOKYO**

**Tokyo Ballet Centre '86**: A miscellany of classical repertoire pieces by some of Tokyo's leading dancers. Yubin Chokin Hall, near Shiba Park. (Thur). (433 7211).

## Saleroom/Antony Thorncroft

# Milkmaid sets a record

Dr Francis Springell escaped to England from his native Prague in 1938, settled in the Lake District, and founded a local factory which supplied the allied armies with tins of food. He also collected Old Master drawings, 103 of these were sold at Sotheby's yesterday for £1,855,744.

The top price was £341,000 paid by the London dealer Y. Tan Bunzl for a Rembrandt pen and ink drawing of an artist at work in his studio. It is dated to the late 1620's. But perhaps even more remarkable was the £220,000 which secured for Baskett & Day, another London dealer, a Gainsborough study of a lady wearing a straw milkmaid's bonnet. Drawn between 1765-70 in Bath, it is regarded as one of the artist's finest efforts. The price was a record for a Gainsborough drawing.

"Christ being nailed to the cross," by Durer, sold for £165,000, while a self-portrait by Hans Schaufelein, dated to around 1510, proved somewhat disappointing at £132,000. In contrast, studies of a girl's head and of a kitten by Watteau doubled their estimate. They went for £126,500 to the London dealer Ward Jackson.

Tunick of New York bought two sketches by Van Dyck for £90,200, while Morton Morris of London was the successful buyer of the second earliest view of Windsor Castle, made in 1568 by Joris Hoefnagel.

In the afternoon session 20 watercolours which "Titta" Lusieri made for the Earl of Elgin in the early 19th century came under the hammer, and fetched very high prices. A view of Naples sold for £253,000, as against an estimate of only £10,000-£15,000; and a panorama of Palermo made £107,800, against a £50,000 top estimate.

Another view of Naples went for £101,200. The drawings were sold by the present Lord Elgin. Most of the work by Lusieri for the Elgins was lost in a shipwreck, and these sketches were bought later by the family. Twenty sold for £1,239,150.

Christie's had its own auction record yesterday—the £237,600 paid for a 79 piece Sèvres dinner service. It was a record price for any dinner service. This one had been ordered by King Louis Phillipe of France, and was made between 1835 and 1842. It is decorated with floral medallions and is known as the Salvandy service after the Minister for Education of the day, the Comte de Salvandy, who presented it to the King. The previous record price had been set by Christie's exactly two months ago — £219,459 for the 380 piece Chinese service from the Nanking wreck.

In contrast, the Chartres-Forth service ordered in 1782 by the duc D'Orleans, "Citoyen Egalite," was unsold at £130,000.

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Tuesday July 1 1986

# Swings in the oil market

THE BREAK-UP of the Organisation of Petroleum Exporting Countries' meeting without effective agreement yesterday pushed spot oil prices back towards the level which brought cries of pain from the US administration in April.

This was the level of about $10 per barrel, which the markets appear to have regarded as an effective floor since the collapse of oil prices in the early spring.

After a brief swing back to $15 per barrel last month, largely as a result of stock movements, the spot oil price seems to be settling back to a level only a third of what it was last autumn.

Although some oil companies are hoping that preparations for the northern winter will help to push prices back up to the mid-teens, they may be whistling to keep up their spirits if Opec remains in disarray. The lower the price of oil, the greater the incentive for each producer to sell every last drop in an effort to maintain its revenues.

The magnitude of the fall from $30 to $10 took almost everyone in the oil industry by surprise: it remains possible that they could be surprised again by a further fall, since the running costs of most oil wells are below $5 per barrel.

### *Strong rebound*

Nevertheless several stabilising forces have emerged while the oil price has been bumping between $10 and $15. Demand for refined oil products, particularly petrol, appears to have risen rather faster than expected, while some producers have begun to show increased reluctance to sell at lower prices.

At the political level, the US Administration has shown great anxiety about the prospect of a $10 oil world. This is only partly because of the dire consequences for the US independent oil sector and the banks that have lent to it. The US is deeply worried about the possibility of a renewed world debt crisis, and particularly about Mexico's difficulties. It also fears that a lower oil price would lead to even deeper cuts in exploration and so hasten the time when the US will depend on imports

These political anxieties have also been felt in the oil importing industrial countries such as Japan and West Germany, because most governments agree that the recent wild swings the price of oil pose e number of long and short term dangers for the world economy.

So far the fall in oil prices has helped to boost economic growth and to curb inflation. The danger is thet e strong rebound would have the opposite effect; and the oil industry is agreed thet sooner or later prices must rise again as oil reserves start to run down.

When this happens Opec will once again be in a commanding position, since three quarters of the non-communist world's oil reserves, including the largest fields are owned by the cartel's 13-member countries. Nobody can guess what use Opec will make of this power, but the risk of another violent price increase followed hy e world recession cannot be ignored.

### *Energy conservation*

Clearly, if the oil price remained at very depressed levels for a long time, consumption would be likely to rise while the oil companies' incentive to discover new reserves would be reduced. The cost of finding and developing new oil reserves in the North Sea, for example is likely to be a minimum of $15 per barrel and probably above $20 in many cases.

It is easier for the west to foresee this danger than to find ways of avoiding it. Even if western governments could agree the best price to stimulate exploration and curb consumption without damage to economic growth, the chance that they could control the price where Opec has failed is negligible.

Yet governments are not completely powerless to influence the market and to prepare for when oil will be in short supply. They can discourage profligate consumption by raising taxes on petroleum products where appropriate. A clear case can be made for an increase in US petrol taxes.

They can encourage some of the gains from lower oil prices to be invested in energy conservation; and they can keep up the pace of research and development into alternative sources of energy including the safe use of nuclear power.

When the weather turns fair is the time to prepare for the next storm.

# Poland's quest for normality

GENERAL JARUZELSKI has reached another milestone in his long march towards normalisation in Poland, with the holding this week of the first Communist party congress since the formal 1981-83 imposition of martial law brought the Solidarity era to an abrupt end. In a symbolic sense, the very holding of the congress as an assertion of civil Communist party rule marks the return of Poland to orthodox Soviet bloc Leninism. But how normal is Poland really, and how normally should the wider world deal with its government?

Certainly Poland is pacified, to a large extent. The start of the congress was not protest-free; there were demonstrations in the city of Poznan. But the recent arrest of Mr Zbigniew Bujak, the Solidarity underground's most important member, has probably spelt an end to the effectiveness of the underground. Even before Mr Bujak was picked up by the police, its calls for boycotts and protests were meeting little public support.

The authorities have, for the time being, neutralised the influence of Mr Lech Walesa, Solidarity's leader above ground and one-time president, by simply ignoring all his calls for dialogue. Many Solidarity sympathisers have been weeded out of universities in the past year. Aided by new summary court procedures, the authorities have increased the number of political prisoners again, to around 300, a level which will probably not be much reduced by the partial amnesty Gen Jaruzelski promised this week.

### *Government policy*

So, it was not surprising that Mr Mikhail Gorbachev, the Soviet leader, felt comfortable enough to attend the Warsaw congress, and to congratulate General Jaruzelski on defending socialism during the troubled Solidarity-martial law period. The fact thet Mr Gorbachev offered his congratulations "not out of obligation or courtesy, but out of true conviction" will be most heartening to the Polish leader. It will help silence those ideologues (in Moscow and elsewhere in the Soviet bloc) who complained that General Jaruzelski used unorthodox, not to say Bonapartist, means to bring Poland back to orthodoxy, and those law-and-order hardliners (even in the general's own party and army) who argued, and still argue, that more forceful tactics should be used. It is the most ringing statement of confidence that General Jaruzelski has had from a Soviet leader in five years.

But it is self-confidence, rather than Soviet confidence, that the Polish party lacks, and for good reason. With a current 2.2m membership, it has not fully rebuilt in numbers the losses it suffered during the Solidarity-martial law era, and it lost ground among the young. The re-created official trade unions and a newly-created front organisation, Pron, have neither developed into trouble-free transmission belts for government policy, nor on the other hand, gained wide public support. The Catholic church is a very powerful magnet for Polish loyalties, a sort of state within the state, and a growing one at that.

Poland remains a country still at odds with itself, and on any historical reading one would have to conclude that this tension between government and society is likely to flare up again. Indeed, the Poznan demonstration was actually a commemoration of the first of those post-war outbursts, the riots of 1956 in that city. No one knows when the next outburst might come. The task, for all those who care for Poland, in and outside the country, is to try to channel reform into something more constructive than has been achieved in the past.

This is why dialogue with the Warsaw authorities is the right policy for the West. It has already begun with ministerial contacts between Warsaw and most West European governments, which have all by now dropped sanctions against Poland, and with Poland's formal entry into the International Monetary Fund this month.

The West would be right to continue to query, forcefully where necessary, General Jeruzelski's claim that he has virtually won his political battle. No-one can disagree, however, with his admission that Poland has yet to win its economic battle. When Poland comes to borrow from the IMF, as it surely will, the IMF's major Western shareholders should adopt the same constructive mixture of sympathy for Poland's historical plight and criticism of current policies, as is warranted in the political realm.

UK ECONOMIC POLICY

# The tax cuts nobody wants

By Michael Prowse

THE THATCHERITE wing of the Conservative Party must be bewildered. It is as though children et the fairground were refusing candy-floss and instead insisting that their pocket money go to the lady from the Salvation Army.

Opinion poll after opinion poll is showing that a large majority of the electorate does not want tax cuts but would prefer higher public spending on services such as education and health. Of Tory voters in the last election, those favouring higher spending outnumber those seeking lower taxes by more than four to one.

The preference for higher public spending — which has grown steadily stronger in recent years — poses a difficult dilemma for the Government. "Rolling back" the public sector and easing the burden of taxation have been fundamental goals of economic policy since 1979. They are as central to Thatcherite thinking as trade union reform and the control of inflation — perhaps more central.

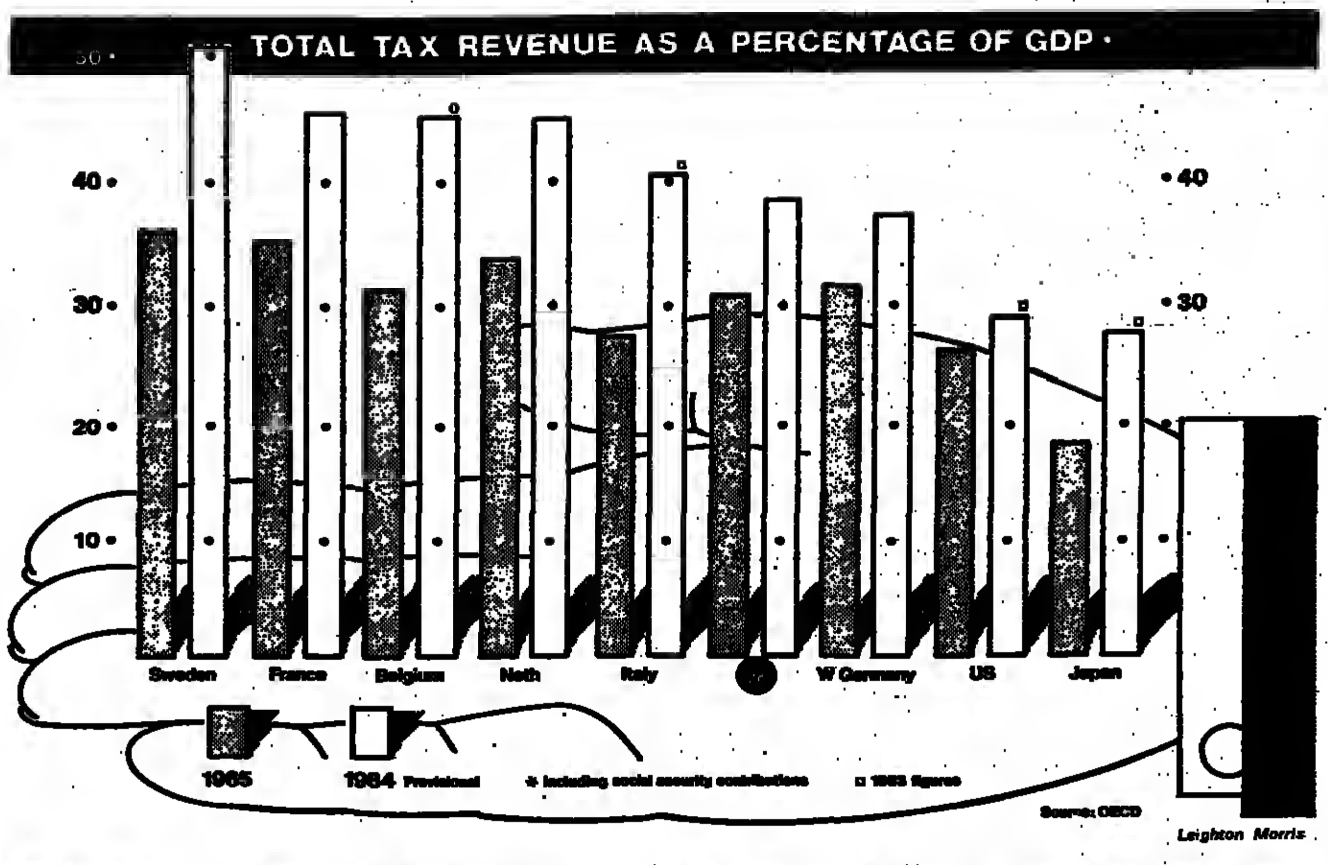
Yet with a general election at most two years away, the Government can hardly afford to ignore the wishes of ordinary voters. Nor is a parternalistic presumption that "the people do not know what they want" consistent with its libertarian ideology. During the summer, Ministers will have to try to understand why so many people apparently favour higher public spending and to reconsider the economic arguments for cutting taxes.

*In demanding higher spending in place of tax cuts, voters ironically are not asking for a change of policy:* they are asking for a continuation of policies which have long been at variance with official rhetoric. Public spending has risen steadily in real terms in the past seven years, and as e percentage of Gross Domestic Product is higher today than in the last year of the Callaghan Labour government.

Tax cuts have proved a perpetual mirage. The Institute for Fiscal Studies calculates thet households on everage are worse off today than they would be if the March 1979 tax and benefit system had been merely indexed. The cuts in the basic rate of tax in the 1979 and 1986 Budgets and the rise in the real value of tax allowances since 1982 have not offset the substantial rise in value added tax, real increases in most other indirect taxes and a big increase in national insurance contributions.

The fact that fiscal burdens have been growing steadily, heavier, in recent years makes the electorate's lack of enthusiasm for tax cuts the more puzzling. Contrary to the Government's expectations, the public apparently, still does not feel excessively over-taxed, nor does it regard e "roll back" of the state as a priority.

Some international and historical comparisons may help explain both the Government's anxiety about tax rates and the public's lack of concern. The latest figures from the OECD, which put different countries' tax burdens on a comparable basis, are for 1983 and 1984. They show the UK bang in the centre of the international pack.




Leighton Morris

In Britain, total tax revenue (including social security contributions) is equivalent to about 38½ per cent of GDP (see illustration). The corresponding figures for EEC and OECD countries as a whole are 41½ per cent and 37 per cent. The relative tax burden is considerably higher in, for example, France, Belgium, the Netherlands and Sweden; and only fractionally lower in West Germany.

Proponents of tax cuts, however, will argue that for the UK to be fiscally in line with other European economies is not good enough. Europe as a whole is suffering sluggish growth, high unemployment and a lack of entrepreneurial drive. The reason might be high taxes. The important comparison, therefore, is with the US and Japan where total tax revenues are a mere 29 per cent and 28 per cent of GDP respectively.

Those in favour of tax cuts will also stress the secular deterioration in the fiscal climate. In 1965, UK tax revenues accounted for only 30½ per cent of GDP: in other words, during the first Wilson government, the British economy shouldered a fiscal burden roughly comparable with that in President Reagan's America today.

What would the Government hope to gain by reducing taxation, in particular by cutting the basic rate of tax to 25 per cent? Supply-siders emphasise the likely positive effect on work effort and enterprise. There is little hard evidence to back up these claims. In macro-economic terms, the difficulty is to disentagle the effects of tax cuts from other policy changes: for example, it is virtually impossible to say whether activity and employment has picked up in the US as a result of tax cuts or the associated deficit financing.

Micro-economic studies are no more conclusive. In a standard textbook on taxation, for example, Mr John Kay and Professer Mervyn King conclude that the effect of tax cuts on work effort is not very large and indeed that "it is probably negative." A cut in taxation which raises a worker's wage is likely to lead him to do less rather than more work.

Mr Kay and Prof King admit that this conclusion may seem "startling," but argue that it should not surprise anybody who has noticed that "better-paid workers tend to work shorter hours and receive longer holidays than those who are poorly paid: and that as the general level of earnings has increased over the last century or more hours of work have tended to diminish."

The point is that tax cuts have two conflicting effects. On the one hand, work is made more attractive relative to leisure because a given period of work will finance more consumption. But on the other hand, the rise in take-home pay makes a worker wealthier: be needs to work fewer hours to achieve a given standard of living. The empirical studies suggest that this "income" effect is the more important.

It is unlikely, therefore, that tax cuts in Britain — even a basic rate reduction to 25 per cent — would have much net effect on work effort. This is not to say that taxes should not be reduced (they do interfere with work-leisure decisions), just that the results would be unlikely to be spectacular. The Government has already taken the most important step, which was to ebolish ludicrously high marginal rates which did nothing but encourage tax avoidance.

A deeper and in some ways attractive justification for tax cuts rests on a particular conception of the nature of personal liberty. Some theorists maintain that individuals have an absolute right to their earnings and that the state should not "seize" more than a minimum sum—that which is needed to maintain essential services, such as defence and the judiciary, which only the public sector can provide.

Other liberal theorists reject this reasoning, arguing for e much larger state and a *correspondingly higher* tax burden. Individuals, they say, cannot have a prior right to all of their earnings because without the social organisation provided by the state they would not even exist as recognisable individuals — and certainly would not have developed strong libertarian traits.

Such theorists emphasise that individuals are not automatically free just so long as the state does not interfere with them. Effective personal freedom and independence of mind may depend on access to cultural, educational and environmental opportunities which in e pure market economy might be restricted to the well off.

Rival conceptions of freedom thus justify different roles for the state and different levels of taxation. The important point is that there is no "right" answer: It would be contentious for example, to argue that individuals are less free in Sweden than in Japan because the former has a much larger public sector.

Although the overall tax burden has risen steadily in Britain (as elsewhere), public sector (as opposed to market) control over the allocation of resources has not increased in step. The rising share of total government spending in GDP since the early 1960s is very largely accounted for by the growth of cash transfer payments such as social security benefits. These reflect higher unemployment and an ageing population. Since peopla are free to spend these receipts how they choose, the market mechanism is not over-ridden.

If transfer payments are exclnded and ettention focused on government spending on goods and services, it is clear that the state's involvement in the economy bas hardly increased since the early 1960s. Current spending has risen by a few per cent relative to GDP but this has been offset hy a fall in state investment. Overall, tha proportion of resources suhject to state control is only about 25 per cent, perhaps less —a far cry from the figures of 45 per cent or more that are bandied about.

The pressure for more public spending looks less unreasonable in the light of this, especially in view of compositional changes in GDP. As an economy gets richer, the share of services in GDP tends to increase naturally, reflecting the fact that only so much can be spent on bare necessities. In trying to restrict expenditure on certain social services, such as health, the Government may be attempting to buck a deep-seated trend towards a service economy.

Opinion polls, therefore, are not necessarily showing that people want a bigger public sector, merely that they want more of services that just happen to be provided mainly by the state.

The apparent preference for higher spending as opposed to tax cuts may also be a judgment on the fairness of past policies. In general, higher public spending benefits tha poor more than the better off: they make more use of parks, public transport, the national health service and state education, and are more likely to end up dependent on social security benefits. The better off have less to lose from a contraction of public services and often more to gain from tax cuts.

This at least has been the experience of tha past seven years. IFS calculations show that while households in general are worse off as a result of tax changes (compared with an indexed 1979 base), those with high incomes have gained considerahly. Single people earning between £100 and £200 a week, for example, heve lost out to the tune of £3.50 a week whereas those earning £400 or more have on average gained £55 e week. Further cuts in the basic rete of tax, as fevoured by the Chancellor, would continne this redistribution from poor to rich.

The rise in unemployment is another important reason why the opinion polls reveal such support for higher public expenditure. Economists such as Professor Richard Layard at the London School of Economics, who was tha driving force behind the creation of the pressure group Charter for Jobs, have successfully rammed home a message: tax cuts are a very inefficient way of boosting employment. On his figures, it is about nine times more expensive to create jobs through tax cuts than through targeted expenditure on special schemes.

At the end of the day, the overall level of taxation or state expenditure matters less than the nature of particular taxes and spending programmes and the criteria by which they are assessed.

It would be possible to reduce spending and taxes and still impair the economy's efficiency—for example, by cutting R and D expenditure to finance an extension of home mortgage interest relief. Conversely, and more positively, higher spending on services could be financed without damaging efficiency if the structure of the tax system were reformed.

If the Government was prepared to take on the lobbies and embark on e US-style overhaul of taxes, it could achieve its objective of lower marginal rates of tax and still please the public with higher spending on services.

# Men and Matters

## BBC finds enterprise chief

The BBC'e long search for e chief executive to run its reorganised commercial arm, BBC Enterprises, is over. The newly created job has gone to James Arnold-Baker, 43, vice president in charge of Fisher-Price Toys' operations in Europe.

The BBC got itself in a bit of a tangle after it advertised the job (at a salary of £40,000) of expanding commercial activities, which already have a turnover of £100m and include programme sales, tapes, records, videos, computers and the journals Radio Times and The Listener.

The ads attracted no suitable applicants — and the Corporation bad to call in the head-hunters and increase the salary considerably.

Arnold-Baker says his initial interest was tinged with scepticism before be warmed to the idea. "The BBC has got to be the world'e leading broadcasting organisation and to try to do something with its commercial operations was an intriguing proposition," he tells me.

The first task, he believes, will be to concentrate on improving the BBC's sales of television programmes abroad. "What they make, I sell," says Arnold-Baker, who has a strong international marketing background.

Five years' experience as managing director of Record Merchandisers, the merchandiser of recordad music which is owned by a consortium of record companies, should help him to sell BBC records.

And, usefully, be also actually likes television—sport, drama and opera. "Now I shall be looking at the programmes with a more commercial eye," be says.

## Box and Cox

That quaint custom among successful American businessmen of naming their offspring after themselves can cause problems if outsiders fail to spot the junior tag.

Interfirst Corporation, the second biggest bank in Dallas, sent ripples through the financial markets last week by announcing another massive loss because of the need to set aside a $350m provision for expected loan losses.

A "material emount" of the increased provision related to $80m in loans to Edwin L. Cox jnr, who was a director and sat on the loan and investment review committee of Interfirst Bank Dallas, the lead bank of the Interfirst group.

This has caused some confusion among people who do not know the Cox family very well, since Edwin L. Cox snr sits on the board of Interfirst Corporation, the holding company for the Dallas hank.

Cox snr is a prominent Dallas businessman who helped develop the E. L. Cox business school at the local Southern Methodist University, and he is, understandably, e little upset by suggestions that he is responsible for Interfirst's losses.

He runs the family business, Cox Oil and Gas, which was founded by his father, another Edwin Cox. Although the slump in oil and gas prices has hit the group, Cox snr is in far better financial shape than some other Dallas oil men, such as the Hunts, who last week slapped a $3.5bn lawsuit on their bankers for allegedly trying to destroy the family empire.

Edwin L. Cox jnr decided not to go into his father's oil business, and instead has concentrated on making his fortune in Texas'e other staple commodity —cattle. He is one of the three largest beef packers in the US and when he was identified as the man with the problems with Interfirst, the Chicago cattle futures market went into a spin.

From his 25,000 acre ranch in Athens, Texas, about 90 miles south-east of Dallas, Cox jnr presides over a collection of private businesses with an estimated turnover this year of $4.5bn.

Whilst Cox jnr is paying interest on his loans from Interfirst, and is confident that the problems can be sorted out, his troubles underline the sometimes unhealthily close business ties between many Texas hanks and their directors. When Texas was booming, many banks packed their boards with wealthy customers. These ties are starting to haunt a number of banks as the current slump in the oil and gas business deepens.


"Don't put your daughter on the stage Mrs Worthington—but theatre management seems all the rage"

## Call the roll

The good and bad news arrived simultaneously at the headquarters of Woolworth Holdings in London's Marylebone Road on Friday as the board was planning its next move in the defence against Dixons' £1.8bn takeover bid.

Sir Kenneth Durham, Woolworth chairman, picked up his phone to hear Peter Stormonth Darling, chairman of Mercury Asset Management, telling him that Mercury Warburg Investment Management would be voting in fevour of the Dixons bid. MWIM has a stake of about 13.5 per eent in Woolworth.

At the same moment, Geoff Mulcahy, Woolworth chief executive, sitting in the same room, received a call from Robert Fleming Investment Management to say it would be backing Woolworth with its 10 per cent holding.

It is unusual for institutions to reveal their hand at such a reletively early stage in e bid — the Dixons' offer closes at 1 pm tomorrow — but they clearly feel the bid is important enough for them to try to influence events.

## Cheaper ways

Anyone feeling slightly put out by the decision of English Heritage, custodian of such national treasures as beleaguered Stonehenge and stalwart Dover Castle, to raise its ennual membership fee from £8 to £10, should quickly join the Welsh eqnivalent, Cadw.

A £5 subscription sent to Brunel House, Fitzalan Road, Cardiff, not only gives you access to all Welsh historic sites, such as Beaumaris and Conway Castles, but a reciprocal arrangement also lets you free into all the properties of English Heritage, and the Scottish organisation, Scottish Monuments.

It also pays the Scots to approach their monuments by way of Wales—it is £7 to sign up north of the border for tha same three-nation privileges.

A similar loophole, however, enables members of the National Trust of Scotland to get in cheap on the English and Welsh bodies.

## Combing out

From the staff magazine of e Yorkshire company: "After 12 years in Despatch, Jack —— left at the end of May. He received a set of ebony hair brushes as a parting gift from his colleagues."

**Observer**

FOREIGN AFFAIRS: SOUTH AFRICA

# Sir Geoffrey and the ghost of Mr Wilson

By Ian Davidson

THERE ARE only two things to be said about Sir Geoffrey Howe's mission to South Africa: it will be a complete waste of time; and its transparent purpose of delaying a decision on sanctions until after next month's Commonwealth meeting will further enrage the Commonwealth against Mrs Thatcher.

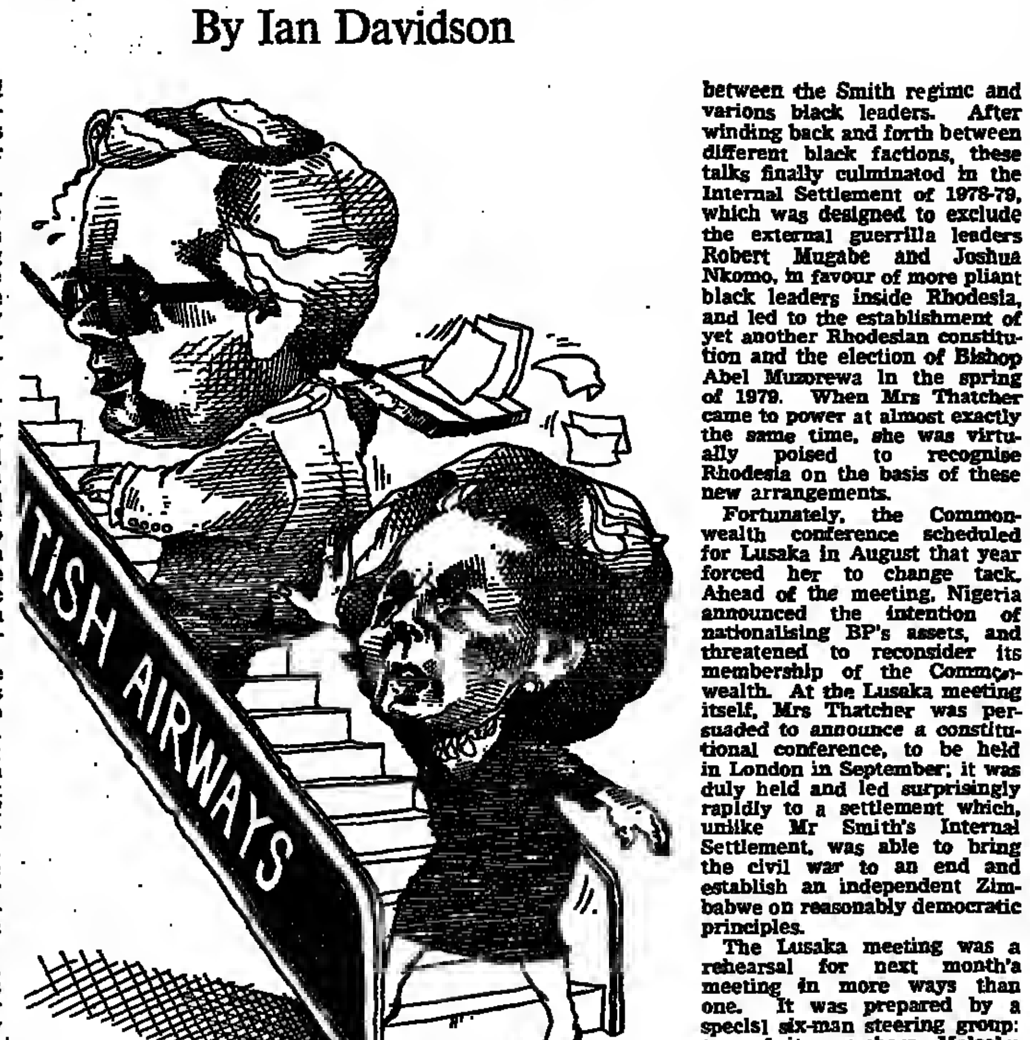
As one would expect from a group of states committed explicitly to non-racialist policies, it is the Commonwealth countries which have exerted and will continue to exert the strongest pressure on Britain, and through Britain on other countries, to take effective action against the state of emergency in South Africa. In the process, they and we seem to be rehearsing once again tha dilemmas and the arguments which were paraded over Rhodesia's Unilateral Declaration of Independence (UDI) over two decades ago. At first blush, it looks as though very little has been learned from that experience.

There are of course major differences between the two cases. But if Britain has a pivotal role in the South African controversy, it is partly because of its historic links with that country, and partly because of its continuing economic connections; but mainly because of its central position in the Commonwealth and its prominence as one of the bigger members of the European Community exposes it to fierce moral pressure from the states in black Africa.

So despite the many differences between today and yesterday, the parallels are instructive. When Mr Ian Smith made his Unilateral Declarstion of Independence at the end of 1965, the British Lahour government under Mr Harold Wilson spoke of "treason" but nevertheless made it clear from the beginning that it would not use force. It introduced limited economic aanctions, but insisted that they must not be punitive, and did its best to avert any excessive action in the United Nations.

Controversy continues to this day over whether the early use of limited military force might hsve brought the Rhodesian rebels to heel; what must he incontrovertihle is that the Wilson government's explicit rejection of force, and its reluctance to impose fierce economic sanctions, can only have encouraged Mr Smith to persevere.

Wilson's foot-dragging exposed Britain to furious attacks from Commonwealth countries. Tanzania and Ghana severed diplomatic relations. At the emergency Commonwealth meeting in Lagos in January 1966, Wilson claimed that the British measures would produce results "within a matter of weeks rather than months."




But he was nevertheless forced to agree to a second Commonwealth meeting six months later, to review the case for further sanctions.

In between the two Commonwealth meetings, during the summer of 1966, the Wilson government started holding "talks about talks" with the Rhodesian government. The Rhodesians then showed exactly what they thought, by amending their constitution to introduce preventive detention.

At the September Commonwealth meeting in London, Britain was supported only by Australia, New Zealand and Malta; Wilson was called a racist by tha Zambian foreign minister, who walked out of the conference. Wilson agreed to sponsor selective sanctions in the UN before the end of the year. Yet before doing so, he reverted once more to talks with Ian Smith, at the abortive one-day encounter on HMS Tiger.

So far the parallels are quite close. Mrs Thatcher has advertised her resistance to severe economic sanctions with the greatest flamboyance. At last October's Commonwealth meeting in Nassau, she fought hard against the demands of most of the Commonwealth for tough economic sanctions; but she was forced to agree to the consideration of further measures at a second Commonwealth meeting, which takes place in London next month.

On the question of sanctions, the Conservative Party was hostile where the Labour government was merely reluctant. But the most consistent characteristic of the policy of all British governments in the face of UDI, was their inability to resist the temptation to suppose that legality could be painlessly restored by fact-finding missions, by diplomacy and by negotiations.

The Tiger meeting was hut the first of a virtually uninterrupted series of encounters over many years, which were kept alive only by self-deception in Britain about the real intentions of the white regime in Rhodasia, and by British willingness repeatedly to dilute the conditions for any eventual deal. No one should be surprised that Mrs Thatcher's automatic instinct is to send Sir Geoffrey Howe to South Africa on yet another fact-finding mission.

Tha Labour government was not finally dragged into sponsoring comprehensive mandatory UN sanctions until the spring of 1968, nearly two and a half years after the declaration of UDI. And Wilson did not finally abandon his talks with Smith until the summer of 1969, when the Rhodesian government introduced a new constitution. What did the Tories do when they returned to power the next year? They re-opened talks with Mr Smith.

If we skim forward several years, by-passing an endless series of British soundings with the Rhodesian regime, by Herbert Bowden, George Thomson, Alec Douglas-Home, Lord Goodman and goodness knows how many other worthies, each as fruitless as its predecessor, we come to the mid-1970s and a significant change of tack in Salisbury: the opening of talks between the Smith regimc and varions black leaders. After winding back and forth between different black factions, these talks finally culminatod in the Internal Settlement of 1978-79, which was designed to exclude the external guerrilla leaders Robert Mugabe and Joshua Nkomo, in favour of more pliant black leaders inside Rhodesia, and led to the establishment of yet another Rhodesian constitution and the election of Bishop Abel Muzorewa in the spring of 1979. When Mrs Thatcher came to power at almost exactly the same time, she was virtually poised to recognise Rhodesia on the basis of these new arrangements.

Fortunately, the Commonwealth conference scheduled for Lusaka in August that year forced her to change tack. Ahead of the meeting, Nigeria announced the intention of nationalising BP's assets, and threatened to reconsider its membership of the Commonwealth. At the Lusaka meeting itself, Mrs Thatcher was persuaded to announce a constitutional conference, to be held in London in September; it was duly held and led surprisingly rapidly to a settlement which, unlike Mr Smith's Internal Settlement, was able to bring the civil war to an end and establish an independent Zimbabwe on reasonably democratic principles.

The Lusaka meeting was a rehearsal for next month's meeting in more ways than one. It was prepared by a specisl six-man steering group: two of its members, Malcolm Fraser of Australia, and Olusegun Obasanjo of Nigeria, are also members of the Eminent Persons Group set up by last October's Commonwealth meeting at Nassau, and whose report, calling for sanctions against South Africa, will be the piece de resistance et next month's meeting.

There are no simple lessons of the 14 years of UDI, and few that automatically apply to the crisis in South Africa, but a number of points stand out.

First, Ian Smith was not really prepared to negotiate seriously with anyone until, after a decade of fighting, and after the loss of tha Portuguese alliance in Mozambique, the strains of the guerrilla war started to become unendurable. Even then, he thought he could save the essence of white supremacy by doing a deal with the pliant Muzorewa. But his ability to hang on was made easier by the reluctance of Britain and other countries to impose effective sanctions, and by Britain's apparent interest in solutions short of black majority rule.

Second, British back-sliding was repeatcdly brought up short by moral and material pressure from the Commonwealth. The Commonwealth was at no point ahle, hy itself, to bring about a solution to the Rhodesian crisis; it could only prevent the complete abdication of Britain's responsihilities.

Third, when all the other conditions were ripe for bringing the whites to tbe negotiating tsble in earnest, then Commonwealth pressure was crucial.

Fourth, a great deal of approhlum was heaped on Britisb and other multi-national companies for circumventing sanctions; in reality, the reproach sbould bave been directed mainly at governments for not imposing effective and hinding sanctions, and for encouraging circumvention by manifestly turning a hlind eye.

It is too soon to say that all these critical factors are present in South Africa today. The violence remains extremely serious, hut the treatment hy Pretoria of the Eminent Persons Group looks ominously like a re-run of Ian Smith's endless tergiversations with various British emissaries.

The US administration nnder President Reagan seems to have learned little from the long charade of the Contact Group's afforts to negotiate with South Africa over the independence of Namihia and, despite its latest review of policy towards South Africa, the administration does not appear ready to cast aside the self-deceptions of "constructive engsgement."

Britain is once again minimising its optious, playing down its responsihilities, resorting to sophistry, postponing sanctions, and taking refuge in diplomatic illnsions. But the Commonwealth is once more playing its part in holding Britain's feet to the fire.

Mrs Thatcher bas a hundred and one arguments for doing as little as possihle. Wa do not want to destroy the South African economy; we do not want to harm the interests of South African blacks, who would he the first to suffer from sanctions; we do not want to harm the interests of British companies and British workers; we want peaceful change . . . . But when Mrs Thatcher holds up a mirror to history, sbe may be unaware that it reflects the evasions and the escapism of Harold Wilson.

## Lombard

# Crying wolf in Mexico

By Anatole Kaletsky

WHEN MEXICO declared last Tuesday that paying its foreign debt "on the terms agreed" was a useless effort and a waste of the country's foreign exchange reserves, the world financial markets suffered no convulsions Indeed, the shares of Citicorp and other banks with heavy Mexican exposures closed sharply higher the following day.

This nonchalance was perfectly explicahle on the hasis of past experience. After four years of non-stop bombast on the debt issues from Latin American governments, the Mexicans' demands for sacrifices from their bankers and their flowery rhetoric about the sanctity of every nation's sovereign rights, carry rather less conviction in the financial msrkets than President Reagan'a wistful ramhlings about the virtues of the Balanced Budget. The Mexicans have cried wolf so often, that nobody is going to take them seriously until a limh or two are well on their way down the beast's digestive tract.

Unfortunately for the markets, one crucial point is elided in this analogy: whose limhs are actually in danger of being gobbled up by the wolf of default?

Suppose the Mexican Government were serious for once in its demands for a new era of deht negotiations. Suppose Mr Gustavo Petricioli, Mexico's Finance Minister, really did tell the IMF that he would depress his people's living standards no further and that debt servicing would now be determined not hy the country's loan agreements, hut by its capacity to pay. If his pleas and threats were ignored hy the IMF the first painful consequences of the ensuing confrontation would be seeo not in the streets of Mexico City hut in the quarterly results of the international banks.

The fact is that Mexico can always announce and implement a unilateral deht servicing plan of its own if it cannot reduce its deht servicing obligations with the banks' and the IMF's agreement.

The experience of the past few years has confirmed that private banks can do little to enforce their loan agreements against a sovereign debtor. The governmeots of creditor netions, like the US and Britain, could in principle do anything to punish a recalcitrant dehtor nation—up to declaring war or imposing economic sanctions. But having shown no stomsch for sanctions in cases like Peru, and even South Africa, it is hard to imagine America or Europe punishing Mexico in any significant way.

To make matters worse, the one mild sanction which governments have consistently imposed on dehtor nations—refusing to reschedule their official export credits in the Paris Club—has been used so indiscriminately that it has lost its force. If Brazil, which has serviced its hank dehts faithfully without requiring new money for three years now, is harred from Paris Cluh rescheduling, on the technical grounds that it has not submitted his economic programmes for IMF approval, there seems little point in Mexico struggling to maintain its interest payments if it too decided to steer a course independent of the IMF.

There has, however, been one overwhelming deterrent to any radical unilateral action hy a major dehtor. Unlike Peru or Bolivia, Mexico and Brazil have heen led to helieve that they possessed a sort of financial nuclear weapon—a default hy them would result in worldwide economic armageddon. In recent months, this perception has begun to change.

It is now common knowledge on Wall Street that a total loss of interest payments from Mexico would reduce the earnings of the leading US hanks hy only 20 ner cent or so. Major banks in other countries would be affected even less. Such losses would, of course, be most unpleasant to hank shareholders and managements, but they would not be the end of the world. Perhaps this is the real reason why financial markets have taken the latest ructions in the Mexican deht saga so calmly. It is certainly a reason why hankers should he just as anxious as Mr Petricioli for a sharing of the debt burden which will be acceptable in the streets of Mexico City, as well as at the IMF.

## Letters to the Editor

### Air support and control

*From Mr C. Hickey*

Sir,—It was reported (June 26) that Field Marshal Lord Carver had suggested the division of the Royal Air Force between the Navy and the Army.

Over the years it has become generally accepted that neither the Army nor the Navy can operate effectively without air support. They very sensibly prefer to operate under conditions of complete air domination, if that can be achieved.

It would appear therefore that all military and naval operations depend very largely for their success or failure on the Royal Air Force first winning the battle for control of the air, and then maintaining some measure of air superiority in order to allow the other two services to function without undue interference from enemy aircraft.

Would it not appear much more logical therefore, if the Royal Navy and the Army were placed under the operational and administrative control of the Royal Air Force, particularly in time of war, because it seems that if the Royal Air Force fails, so will the other two services.

The current order of precedence of the various services, naval and regimental, traditions and customs, drill and peacetime ceremonial, could of course continue unchanged.

C. D. Hickey,
*Jorretts Form, Balcombe, Sussex.*

### Job evaluation systems

*From Mr D. Wainwright*

Sir,—In your report (June 26) from the conference of the Confederation of Health Service Employees you mentioned a reference made by a national officer to my report on the possibility of using the Equal Pay Act to challenge existing wage differentials in the NHS ancillary workers' pay structure.

As you reported, I did conclude that the Urwick, Orr profiling method used to evaluate these jobs could be challenged, but this is not surprising. The NHS pay structure was introduced in 1968 — seven years before the Equal Pay Act became fully effective, and long before the equal value amendment of 1984. The Ford manual worker pay structure, using the same method and implemented at about the same time, has also been found to be flawed. But the Urwick, Orr method is no more likely to be challenged successfully than any other method of evaluating jobs. The vulnerability of so many pay structures stems from a failure to review the assumptions about job value implicit in their design or implementation.

Since January 1984 the legal assumption has been that pay will reflect the demands of the job in terms of such factors as skill, responsibility, effort, etc, and will not be affected by social attitudes to the value of "women's work" compared with "men's work." As any method of assessing job value is subjective, this is always difficult to establish.

Many employers have chosen to assume that old established pay structures will reflect outdated assumptions. For example, the employers of local authority manual workers and their trade unions are reviewing differentials as a joint exercise. Other employers have made changes in differentials, the job evaluation system or the range of jobs covered by a system. Obviously they have decided that it is better to make changes that they can at least influence rather than wait for the intervention of an industrial tribunal.

David Wainwright.
TMS,
*14 Sekforde St, EC1*

### Too low a rating

*From the Secretary, Campaign Against Lead in Petrol.*

Sir,—With reference to your article "Lead-free petrol fuels a revolution" (June 25) I would like to make the following comment. Where you state "The immediate problem, therefore, is for the motorist, who will need to establish whether his car will be damaged by unleaded fuel" this comes about because the unleaded petrol is only available in the equivalent of 3 star rating (premium grade) instead of 4 star rating that every car would run on satisfactorily.

R. P. Mayes.
*171, Bornett Wood Lane, Ashtead, Surrey.*

### Expensive change

*From Mr S. Hills*

Sir,—In their article June 25 on the introduction of unleaded petrol into Britain, John Griffiths and Max Wilkinson refer to the "long acknowledged health hazard."

Acknowledge by whom? I know of no governmental authority making such an acknowledgement.

Governments have rightly acknowledged the necessity of reducing exhaust emissions by introducing the use of catalytic converters (one—albeit expensive—method) which, for technical reasons, prohibit the use of leaded petrol. With regard to any health hazard arising from lead in petrol, however, all that has been said by governments — as opposed, say, to Friends of the Earth — is that, whereas there is no proven case, it is perhaps "prudent" to make some reduction.

Which is not quite what your correspondents have written. What they are quite right about of course is that the introduction of unleaded petrol will be a most expensive exercise for both oil refiners and motorists.

S. F. Hills,
*46 The Ridgeway, Tonbridge, Kent*

### Workplace ballots

*From the General Secretary, Fabian Society*

Sir,—The director of Aims of Industry implies (June 26) that the turn-out in union elections is higher for workplace ballots than for postal ballots because they "are much easier to manipulate and therefore it is inevitable that more forms would be filled in — though regrettably not always by the trade union member himself."

This is a really quite disgraceful piece of sophistry. All forms of balloting are open to abuse: parliamentary and council elections in parts of the UK have been known to suffer from personation; postal ballots often go to wrong addresses or fail to find newly removed members as recent examples have shown. Workplace ballots are certainly not foolproof, but in my experience as a former union official, they are closely monitored by the members of the union who have a strong interest in fair play.

If Michael Ivens has any evidence that workplace ballots have been manipulated to such a degree as to have materially altered the outcome of the political fund ballots, he should produce it. I suspect that he will be hard put to it to overturn results of workplace ballots where record numbers of union members voted overwhelmingly to retain their political funds.

John Willman.
*11 Dartmouth Street, SW1.*

### Traversing a tunnel

*From Mr M. Kingsnorth.*

Sir,—Should Mr Dalgleish (June 25) have occasion to call, he could meet one who would be "prepared to traverse a long, dark, very noisy tunnel."

Three reasons—the speed and convenience of a direct single mode journey; the fact that I'm not a good sailor; and that I do not care for bridge (inappropriate pastime for a tunnel crossing anyway, of course!).

M. Kingsnorth
*28 Windmill Court, Windmill Road, W5.*

### A saga to rival Dallas?

*From Mr J. Woolman*

Sir,—In "Men and Matters" (June 24) I learned for the first time of feuds between branches of the Millett family and between their firms. I remain puzzled by the statement "the four sons of the founder went their separate ways." My maternal grandfather, J. M. Millet, opened gent's outfitter's shops in Southampton and Bristol in the 1890s and built up a small chain, branching out into camping equipment. Two of his three sons went into the trade, staying harmoniously together as J. M. Millet & Sons. In 1923 he gave his Bristol shop to a son-in-law, whose firm, Millets of Bristol, was bought by Foster Brothers Clothing Company in 1979. The youngest of my grandfather's six brothers opened a shop in Croydon in about 1920. He spelt his surname with two Ts for no hostile reason, as did those children of other brothers that formed Milletts (1928), now absorbed into (I believe) Black & Edgington. The only sons of the youngest brother, Robert and Alan, formed Milletts Leisure Shops in 1964 and stayed united till Robert died in 1971.

John M. Woolman,
*19 Bridge Street, Haddington, East Lothian.*

### Kibbutz Great Britain

*From M. H. Law*

Sir,—It is very apt to liken the British economy to a kibbutz June 25, but the analogy really needs to be pursued further than Michael Prowse has done.

In practice, kibbutzim do not find it necessary to eke out a limited supply of work amongst their members. As the members of a kibbutz get older, they naturally tend to be given work which is less physically demanding, but they continue to make their contribution for as long as they are able, which is generally well past what we regard as a normal retirement age. And no kibbutz would dream of allowing its younger members to pass their time in idleness, especially if, as in "Kibbutz Great Britain," houses were dilapidated, there were roads in need of repair, and potentially useful land was standing idle, derelict and weed-infested.

Henry Law,
*19 Queen's Gardens, Brighton, Sussex.*

FINANCIAL TIMES

Tuesday July 1 1986



SEMICONDUCTOR INDUSTRY PREPARES ANTI-DUMPING COMPLAINT

# EEC chip makers accuse Japan

BY TIM DICKSON IN BRUSSELS

EUROPE'S semiconductor industry is preparing an anti-dumping complaint against Japanese exporters. It claims that the European industry is suffering as a result of unfair pricing by some Japanese companies.

The European Electronic Component Manufacturers' Association (EECA) said it had informed the European Commission of its proposed action and that it hoped to come forward with detailed allegations in the next few weeks.

The move coincides with the end of vital negotiations in Washington between tha US and Japan over a similar issua.

The European association said that the industry was concerned about the unfair pricing of integrated circuits by soma Japanese exporters to tha EEC. The concern was mainly over Dynamic Rams (Random Access Memories) and Eproms (Electrically Programmable Read-Only Memories).

It added: "Over a considerable period, European manufacturers have suffered significant injury as a result of these pricing levels."

The association refused to disclose any figures but it is well known in the industry that prices of D-Rams and Eproms in Europe have fallen sharply in recent months. One industry source commented last night: "We've definitely got proof that the dumping has been taking place."

Most of the major European semiconductor manufacturers are believed to be involved, but the action will be brought in the name of the EECA.

Final documentation of the complaint is still being drafted by the association's lawyers but a spokesman. said: "We are keen at this stage that people should know that the action is going ahead."

European observers, meanwhile, will be anxiously awaiting the outcome of the Washington negotiations which had to be concluded last night if an anti-dumping action ou Eproms brought by National Semiconductor, Intel and Advanced Micro Devices is to be suspended at the end of the month. Discussions between tha US and Japan have centred on US access to the Japanese market and tha setting up of a monitoring system for of semiconductor prices.

European companies, however, fear that agreement between the US and Japan could be damaging to their own interests.

**Louise Kehoe in San Francisco writes:** US and Japanese trade officials remained in intense negotiations in Washington yesterday morning with tha effective deadline for a settlement of their semiconductor trade dispute just hours away.

Long negotiating sessions on Saturday and Sunday failed to achieve a widely anticipated agreement between the two countries in the long-running dispute. US semiconductor manufacturers have claimed that they are shut out of the $9bn Japanese chip market by non-tariff trade barriers.

If an agreement is not reached during this final negotiating session, it will be too late for US officials to act to suspend dumping suits previously filed against Japanese chip makers. Suspension of the suits is understood to be a key element of a "framework" agreement worked out between Mr Clayton Yeutter, the US Trade Representative, and Mr Watanabe, Japanese Minister for International Trade, earlier this month.

# Thatcher reiterates stance on sanctions

By Peter Riddell, Political Editor, in London

BRITAIN and other EEC countries should not threaten sanctions against South Africa if they want to see dialogue within the country, Mrs Margaret Thatcher, the UK Prime Minister, said yesterday.

Facing renewed criticism from opposition parties ahead of a scheduled statement today in the House of Commons, Mrs Thatcher said sanctions would be damaging and would get the wrong reaction from the South African Government and the threat of them would also not work. Instead, she said there was some point in trying to say 'You know some change has to come about. You yourself have called apartheid outmoded. Wa say it is more than outmoded. We say it is wrong – so try the path of dialogue."

But sha said it was not for those in Britain or the EEC to say what result would come out of any negotiations.

Mrs Thatcher reiterated her call to Pretoria for the release of Mr Nelson Mandela, leader of the banned African National Congress.

Mr Denis Healey, Labour Shadow Foreign Secretary, yesterday strongly attacked tha proposed visit to South Africa later this month by Sir Geoffrey Howe, the Foreign Secretary, and saw no point in it unless he could threaten economic sanctions.

Mr Healey, speaking on his return to London from visiting Southern Africa compared Sir Geoffrey's mission with the attempt to reach agreement with Hitler at Munich in 1938.

Mr Healey said it was a hopeless and damaging mission which did not reflect the urgency of the position.

Meanwhile the heated divisions within the Conservative Party on the issue surfaced with strong attacks by the Tory right on a proposal that leaders of Conservatives for Fundamental Change in South Africa might meet members of the ANC if they visit Lusaka during July.

● Mr Dennis Worrall, South Africa's Ambassador to London, told a Commons Foreign Affairs Select Committee that ministers in Pretoria had several times admitted that the release of Mr Mandela would be in the best interests of the country, writes Stephanie Gray.

While the government felt able to handle the practical effects of Mr Mandela's release, its justification to the white electorate was another matter, Mr Worrall said.

"With every car bomb, and every speech calling for the maiming of civilians it becomes more difficult to release him, especially if he persists in the view that armed struggle is necessary."

Strike call over detentions, Page 3

# Midland Bank unveils plans to establish discount house

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MIDLAND BANK yesterday unveiled plans for ona of its subsidiaries to become a discount house – a specialised bank which trades in the short-term money markets.

The discount market is an area from which Britain's leading commercial banks have traditionally been excluded, and the new venture was being presented as further evidence of tumbling barriers in London.

Midland Montagu Investment Bank, the group's investment banking arm, has established a new unit within Greenwell Montagu Gilt-Edged, the company it has created to make markets in government securities with W. Greenwell & Co, its recently-acquired stockbroking firm.

The new unit will quote prices in the full range of sterling money market instruments, including bills, certificates of deposit and short gilts.

Midland hopes that once tha new operation has built up a healthy track record it will be accorded official discount house status by the Bank of England. This could occur in October 1988, at which time the central bank will be reviewing the operation of the gilt-edged market two years after the Big Bang deregulation of London financial markets.

The central bank confirmed yesterday that it had been notified of Midland's plans, but said no indication could now be given of how the new venture would be viewed two years hence.

The discount houses have traditionally acted as a channel between the Bank of England and the commercial banks, and their independence has been key to the efficient operation of the money markets. Because of this, Midland has had to assure the central bank that its new operation will operate separately from its own treasury. It will form part of Greenwell Montagu Gilt-Edged, which is being separately capitalised at £25m ($38m), with more available if needed.

Midland's plan was seen yesterday by London analysts as adding to the liquidity of the discount market. But the rapid pace of change in London would probably cause the discount market to lose its separate identity anyway within the next two years. Many of the existing discount houses have merged or been bought up as competition mounts.

# Cossiga pressed for early decision

BY ALAN FRIEDMAN IN MILAN

THE CHAIRMAN of Confindustria, the Italian employers' association, called yesterday for a speedy resolution of the Government crisis in Rome.

The appeal came as President Francesco Cossiga began a two-day round of consultations aimed at resolving the crisis which began on Friday when Mr Bettino Craxi, the Socialist Prime Minister, submitted his resignation.

Speaking in Milan yesterday, Mr Luigi Lucchini of Confindustria said Italian business needed a "stable government which is able to steer the country with certainty." Mr Lucchini singled out budget legislation, which is generally presented in September, as being of special importance and stressed that a rapid solution to the Rome crisis was needed "in the interest of the Italian economy over the next year."

President Cossiga, meanwhile, met his three surviving predecessors as head of state, as is the tradition. This morning he will begin a series of meetings with the leaders of all political parties, which should put him in a position to make a decision by tomorrow.

Accusations continue to fly between the Socialists and Christian Democrats as to whose parliamentary deputies were responsible for defeating the Government in the secret vote last Thursday night. The ruling coalition was beaten only four minutes after winning by a margin of 108 a vote of confidence held by roll call.

President Cossiga will probably be told by the Christian Democrats that Mr Craxi could try to continue in office, but only by giving an explicit commitment to step down later this year.

Mr Craxi shows no likelihood of agreeing to such a deal and will probably be seeking a mandate to reshuffla the Cabinet and carry on without having to declare in public when he might step aside and make way for a Christian Democrat prime minister.

The Milan bourse did not seem unduly alarmed about the government crisis yesterday, chalking up a marginal gain on the day, which followed a 2.8 per cent drop in the main share index on Friday.

The latest cost-of-living figures released for June show Italy's inflation rate continuing its gradual decline and now running at 6.3 per cent.

# Opec unable to agree on new quotas

Continued from Page 1

second quarter, and to settle at $15 in the medium-term.

In Brioni, the statements by chief delegates of Iraq, Iran and the United Arab Emirates, the three countries posing the biggest obstacles to adoption of a revised sharing system, gave little reason for hope that Dr Subroto would be any more successful than he was in Geneva two months ago.

Dr Mana al Otaiba, the UAE Oil Minister, told reporters that the federation's quota was 1.5m barrels a day (b/d) rather than the 950,000 b/d actually conceded to it under the defunct ceiling of 16m b/d agreed in October, 1984.

The UAE, he said, would observe such a rate only if others abided by their quotas, but if they exceeded their amounts it would feel free to produce more and could pump up to 2m b/d.

Mr Qassem Taki, Iraq's Minister of Oil, reaffirmed Baghdad's insistence on no less than 13.1 per cent of any Opec total – a proportion which apparently is not open to negotiation.

Mr Gholamreza Aghazadeh, Iran's Oil Minister, reiterated his country's demand for two extra barrels for any one conceded to Iraq.

The communique issued after the adjournment of the conference made no mention of the volumes of 17.4m b/d for the third quarter and 17.9m b/d for the fourth which the majority had agreed to be a safe margin for maximum Opec output, provided that five or six non-member producers restrained their production.

Nor did it mention the price objective of $17 to $19 per barrel which the majority of nine or 10 – the position of Gabon is still confused – had set as their aim for the end of 1986. These omissions reflected the intensity of the opposition determined to raise barrel revenues through production curbs.

Iran, Algeria and Libya have stuck doggedly to their position that the median price should be raised to $28 as soon as possible. Only Iran showed a measure of flexibility in saying that the 16m b/d limit and the old quota system under this ceiling was acceptable.

Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister, expressed the opinion that the majority's estimate of demand for Opec oil was "conservative." He suggested that the best policy would be to hold prices in the $17 to $19 range for two years.

Shimon Peres

# Peres evades Shin Bet clash

By Andrew Whitley in Tel Aviv

MR SHIMON PERES, Israel's Prime Minister, last night stepped back from an all-out political confrontation with Israel's right-wing Likud, as the coalition National Unity Government faced a barrage of no-confidence motions in Parliament.

Answering five non-confidence motions in the Knesset, or Parliament, Mr Peres angrily denied left-wing charges that the resignation of the Shin-Bet chief – and his subsequent pardon in connection with the 1984 deaths of two Arab terrorists was a political manipulation or trick.

The Prime Minister said he personally was prepared to be investigated over the affair. But he refused to endorse the accusations which some of his Labour ministerial colleagues have directed a Mr Yitzhak Shamir, the Likud leader and Foreign Minister suspected of participating in a cover-up of the Shin-Bet's actions.

Meanwhile in the Supreme Court, the Government faced five separate petitions challenging the legality of President Chaime Herzog's pardons to the Shin Bet officials involved in the covercup. The petitions, submitted by lawyers acting privately, also demand a full investigation of the entire affair.

The court has yet to consider the substance of the petitions. However, in an initial victory for the state, the judges accepted the Attorney-General's Submission that President Herzog be removed from the list of respondents.

Mr Yosef Harish successfully argued that the President was immune from a court summons and could not be answerable to the charges being brought.

During the hearing it was disclosed thet in his formal appeal for clemency to President Herzog – the basis for the blanket poardon be received las Wednesday – Mr Avraham Shalom, the former head of the Shin Bet, described his actions in connection with the deaths in captivity of the two bus hijackers as having been motivated by concern for state security and preventing the disclosure of state secrets.

The three other senior Shin Bet officials also pardoned over the cover-up said they had been acting under orders. The three, believed to include the two legal advisors to the internal security service, have not been dismissed or asked to resign.

A fierce debate was underway in the Knesset last night as Likud accused Labour of trying to undermine the coalition Government and break their rotation agreement whereby Mr Shamir will take over as Prime Minister in October.

But the no-confidence motions seemed most unlikely to succeed, and the threatened large-scale revolt within Labour and its coalition partners among the small left-wing parties appeared to be fizzling out.

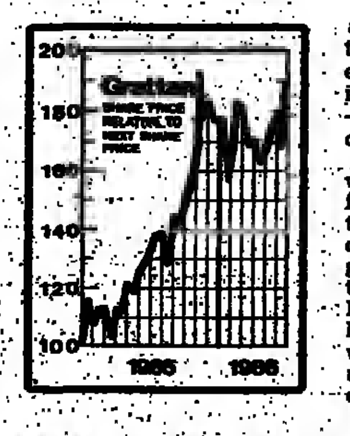
While four of the five motions were brought by left-wing parties accusing the Government of glossing over the killing of prisoners, perjury, and the frame-up of a senior army general during earlier inquiries, the fifth was from the extreme right Kach Party of Mr Meir Kahane.

Rabbi Kahane praised the Shin Bet for killing the two captured Arabs and blamed the Government for allegedly damaging the secret service.

THE LEX COLUMN

# Occluded view of Mercury

Japan's struggle with the upside-down J-curve is so far not producing much consolation for the US Treasury. A rising yen must be expected to create still more embarrassing trade surpluses before it begins to choke off exports. But the benign effects are too long in coming for the currency markets; yesterday they decided to burry things along with another 1 per cent revaluation of the yen.




## MIG

Now that the four parts of Mercury International Group have become one, shareholders may be expecting profit announcements containable to, perhaps, three pages and disclosing all the information with which Morgan Grenfell has now spoilt the market. Yesterday's figures for the year to March 31 or April 11, depending, ran to eight sheets and looked the sort of document that SG Warburg's corporate finance department would charge thousands to produce. Missing was an earnings per share figure for MIG – the entity whose shares are now traded – and any idea of the sort of dividend MIG would have paid had it existed before April 12. The first is apparently too difficult to work out and the second would be giving too much away.

Working on what was available, trough, the market decided that the figures, showing post-tax and transfers profits on a pro-forma basis up from £44.1m to £59.3m, were good and the shares cheap, pushing them up 38p to 853p. The problem for the earnings calculation stems from the £97.7m of convertible preference shares to be issued. If all these were converted on terms set at current market prices earnings would be around 77p a share and the historic multiple 11, well below the Morgan Grenfell 13.9 times disclosed earnings at its 500p striking price.

That differential should close. The increased size of the MIG preference issue designed to even up the performance of Mercury Securities and Akroyd since the deal was struck, suggests that undisclosed profits are higher than most estimates. To give the vast proportion of the shares to holders of Mercury Securities is a fair indication that retained profits in S.B. Warburg are considerably more than the total here unveiled. Akroyd's profit achievement in the bull market is transparently not responsible for any of the increased distribution. MIG can also argue that the part of its business exposed to Big Bang is well under half, though a sustained bear market would clobber much of the rest.

## Midland discount

Before the securitisation movement took hold, when discount houses were heading for extinction, it would have seemed a fantasy for Midland Bank to be going into the bill-broking business. Far more likely that the Bank of England would decide to bypass the discount houses and provide liquidity by direct action in the interbank market. The extension of Midland's primary gilt-dealership into the traditional area of discount house activity is a measure of how times have changed.

Midland – sorry, Greenwell Montagu – is not going to get immediate access to the Bank of England's discount window. Like other newcomers to this part of the money markets, Midland will have to show a couple of years' good behaviour before it can hope for the full privileges of the existing houses. And any notion that the new discount desk will be able to queue up at the discount window on behalf of its parent bank would be well wide of the mark.

## Next/Grattan

It was only a matter of time before the concept retailers discovered mail-order. A computer database that measures large ladies and tiny men is presumably the closest focus a clothes retailer can achieve this side of *haute couture*. No doubt the likes of Marks and Spencer would have entered the field earlier had not the costs of entry – in the form of the files, credit systems and distribution network – been so high and acquisition the only way in.

Nor is it surprising that Next, with yesterday's £300m agreed offer for Grattan, is the first to take the plunge. As a business which secured spectacular returns from flogging a focussed product range through underused retailing assets, Next is now faced with two problems: the cost of retail property which it has itself helped bid up; and the dilution of the original concept in womenswear.

Of course, Next could have picked up Grattan for half the price a year ago. But a year ago, these problems were but specks in the horizon and Next had not run into the distribution headaches which its hectic redeployment of the Next brand – most notably into interior decoration – has now produced. Grattan is, at least, overflowing with lorries and warehouses, and there are all sorts of things to be gained by marrying mail-shot and credit card businesses.

It was not the Grattan benefits that yesterday protected Next's share price, which fell only 10p to 252p despite the difference in the couple's stock market circumstances. Instead of worrying about further dilution of the Next concept from its application to mail-order, the market thinks Next may well have found an asset which it can help pull up the social scale rather in the manner of the Hepworths chain, if not so cheaply. However, if Next is paying so much for a management it evidently admires, it is crucial they do not fall out.

## Tender spot

To mislay one application is a misfortune, no doubt, but to lose track of 20 million looks rather like carelessness. Quite how Lloyds Bank failed to count nearly 15 per cent of Morgan Grenfell's tender will probably remain a mystery. Fortunately for Lloyds, it seems that only a minority of the mislaid applications were above the 500p striking price, so the actual amount of money received by Morgan after an accurate count is unlikely to have proved much larger than the actual outcome. Standard Chartered must be hoping thet Lloyds is better at counting bid acceptances than multiple applications.



## World Weather

| | | | | |
|---|---|---|---|---|
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# EEC ministers split on air fares

Continued from Page 1

(which includes many non-Community member nations).

The Commission wants airlines to set fare tariffs individually and has proposed zones of discount fares in which there would be free competition. Its policy includes a ban on official intervention in relations between airlines flying the same route in a pool until the capacity share of one airline slips to 25 per cent.

It was clear yesterday that the UK and the Netherlands would accept these proposals but they were too much for any other country except Ireland. The other nine were more disposed to a Franco-German proposal which is more restrictive and would permit flexibility in capacity sharing only up to 45-55 per cent. (For countries such as Greece, Spain and Portugal, this is too liberal.)

Diplomats from other countries considered the chances of liberalisation moves this year as nil.

The stage is set for a protracted legal battle between the European Commission and the airlines. Commission lawyers have prepared letters to send to Community airlines demanding that they stop colluding on prices and capacity and obey the competition rules.

The Commission had said it would take action if there had been no progress towards liberalisation by yesterday. "We just have to lick the stamps now," said an official.

The final decision will be taken by Mr Jacques Delors, the Commission president Mr Peter Sutherland and Mr Stanley Clinton Davis, respectively the commissioners for competition and transport.

Both Mr Sutherland and Mr Clinton Davis commented after the failure of yesterday's meeting that they were "disappointed."

**Lynton McLain in London writes:** Britain is prepared to compromise with its EEC partners on its insistence on more liberalisation of aviation, Mr Michael Spicer, parliamentary undersecretary for Transport said yesterday.

SECTION III

# FINANCIAL TIMES SURVEY

# NISSAN IN THE NORTH EAST

Questions still hang over the impact that Nissan's new car plant in Washington, U K, will have on the region's economic problems and the British motor industry.

Glenn Copus

## Facing an uphill struggle

**By Kenneth Gooding and Nick Garnett**

NISSAN'S INVESTMENT in Britain is a far cry from the major scheme first proposed by the Japanese group in 1981. The original idea was to set up a factory to produce 200,000 cars a year by 1986, with a high European content, and creating 30,000 jobs in the process.

But this was too big and adventurous a project for some senior Nissan executives—including the late Mr Katsuji Kawamata, the then chairman—and some members of Nissan's union, to contemplate.

The protectionism which forced the group to look at the prospects for a European venture spread to the US, Nissan's major market, and it decided its first major car production scheme in the west should be there.

The UK has to make do with an assembly plant to make 24,000 cars a year from kits imported from Japan. There are dozens of similar projects operating throughout the world and at first sight Nissan seems to be making a great deal of fuss about very little.

But there are good reasons why the Nissan project should be taken very seriously indeed even if at this stage it is more of a political gesture and public relations exercise—aimed at reducing protectionist sentiment against Japanese car imports to western Europe—than a credible business venture.

It is reasonable to expect that Nissan, second-largest of the Japanese vehicle groups, will move to a second phase of the UK project and be producing 100,000 cars a year by 1991, using components mainly sourced from the UK or other Common Market countries.

That should lift the number employed directly at the factory at Washington, Tyne and Wear, from about 500 to 2,700 and provide, according to Department of Trade and Industry estimates, a net 6,000 jobs to Britain.

So the prospect of winning a major car plant for the 1990s and possibly attracting several "satellite" component operations created much excitement in Britain's depressed development areas when Nissan announced in February 1984 it would go ahead with its scaled-down initial phase.

And winning the Nissan project was a coup for the job-starved North-East. It was seen not only as a provider of employment but also as a morale booster for hard-pressed regional development officers and a magnet for other Japanese production companies.

However, the catastrophic and seemingly unstoppable shrinkage of the North-East's manufacturing base dwarfs Nissan's tiny net contribution to jobs.

In the past three months alone some 7,000 redundancies in a dozen companies have been announced, more than double the new jobs Nissan will provide even if it goes ahead with phase two.

Despite some of the country's best developable land, a clean environment and good communications, the region's unhealthy dependence on older industries and its 20 per cent unemployment generate some of Britain's most serious, if hidden, social problems.

The North of England Development Council, the principal agency in the North-East involved in luring inward investment, has been using Nissan's presence in the region to target more Far Eastern and in particular Japanese companies. In this it has had some success.

Since Nissan announced its intentions in 1984, half a dozen Japanese companies, mainly in manufacturing, have set up close by or are about to do so.

These include Komatsu which will assemble excavators at a former Caterpillar plant at Birtley, transformer manufacturer Tabuchi Electrical and Ikeda Hoover producing car seats and interior trim for Nissan.

The 13 Japanese companies in the North-East which together employ about 1,600 include tyre-maker Sumitomo at the former Dunlop plant in Washington and NSK Bearings, the longest-established Japanese company. NSK's workforce of 350 is expected to rise to 580 in the next few years.

This influx of Japanese companies has provided a spark of light in the region's economic gloom. So too has the success of Newcastle's Metro light railway system and big new retailing developments which include Britain's largest out of town shopping centre at Gateshead.

The success of this investment drive needs to be heavily qualified though given the chronically poor state of investment in the other English regions. In the North-East it has also been accompanied by a calamitous decline in traditional manufacturing that has blighted a large part of Teesside and Tyneside.

More than 146,000 manufacturing jobs—one third of the manufacturing workforce — have been lost since 1977, according to last year's North of England County Council's state of the region report which includes Cumbria as well as the North-East.

Ten years ago there were 31,000 jobs in shipbuilding in the North-East alone, but this will soon be down to little more than 7,000 with a question mark still hanging over many more. Employment in the steel industry has tumbled from 22,000 to fewer than 8,000 and the workforce at the coal pits has been cut in half to 18,000.

Teesside absorbed more invesment in the 1960s and early 1970s than any other UK region but most of this went into big capital projects. The region's inherent weakness in small business development, expenditure on innovation and entrepreneurship remained largely untouched within the North-East's branch plant economy.

Nissan is good news for the North-East but it represents a very small flip to a very hard-pressed region. It also offers jobs largely for the relatively young and able, not for the older and more traditionally-trained people which the indigenous industries are continuing to shed in large numbers.

And some people question whether the arrival of Nissan is such a good thing for the UK motor industry.

Ford, one of the most-outspoken critics of the project, claims that for every job created by Nissan in Britain, two will be lost at other UK car-making facilities.

Ford argues that Nissan has been offered terms much more favourable than those applying to existing manufacturers in Britain.

It has also been able to choose a site with no existing factory on it, to take maximum grants, made a special deal with the unions and will employ a young workforce, keeping pension payments at a very low level for 15 years. None of this is available to Ford, General Motor-Vauxhall, Austin Rover or Peugeot-Talbot.

Ford calculates that these advantages will enable Nissan to build a car for £330 to £550 less than an equivalent model from its UK rivals.

Ford has been urging the European Commission to monitor Japanese car assembly in the Community countries to ensure that the vehicles have a domestic content of at least 80 per cent—measured by weight of the finished car.

This would ensure that the Japanese produced engines, transmissions and axles in Europe, thus creating new jobs.

The government believed a substantial Japanese presence could have a dynamic effect on the UK motor industry. Ministers believed that the project as originally conceived would introduce the latest Japanese car production technology, then acknowledged to be the best in the world, and management methods.

Knowhow would be injected into the motor components sector, making it better equipped to compete internationally.

The Nissan plant was to have exported half its output while pushing back imports.

In the event, the UK industry has been putting its own house in order: improving productivity, making rapid strides in quality and reliability, and browbeating any component suppliers reluctant to keep pace.

And if — or when — Nissan moves to the second phase of its UK project, the Washington factory might prove to be an embarrassment for the Government of the day because Britain is dangerously close to having too many "domestic" manufacturers fighting for market share.

Apart from Austin Rover, Ford, GM-Vauxhall, Peugeot-Talbot and Nissan, by that time Honda will be having "British" cars built for its UK dealer network by Austin Rover.

However, there seems little doubt that Nissan will move into phase two of the Washington project once it has come to grips with more pressing problems elsewhere. The rise of the yen is making its exports, particularly to the US, look much less profitable and Nissan is engaged in a tremendous struggle to regain market share in Japan.

The convulsions being caused by these important, long-term strategic considerations do not completely overshadow the UK project, however.

Nissan knows it faces an uphill struggle. Its other European ventures have been far from successful. The joint project with Alfa Romeo in Italy—another politically-motivated scheme—has collapsed. In Spain, where Nissan was forced by the government to take over Motor Iberica (or quit), losses have been considerable.

But there would seem to be no going back in the UK. Phase one makes no economic sense and Nissan surely could not contemplate the loss of face involved in withdrawal. So Phase two seems likely to go ahead on schedule.

### The Nissan project

| | | |
|---|---|---|
| **Location:** | Washington, Sunderland Borough, Tyne and Wear. | |
| **Land area:** | 800 acres (297 acres of which have been purchased and an option is held on the remaining 503 acres). | |
| | **Phase I** | **Phase II** |
| **Production model:** Small passenger car: Bluebird | | |
| **Production capacity:** | 24,000 units/year | 100,000 units/year |
| **Production start-up:** | mid-1986 | 1990 |
| **Employees:** | 400-500 | 2,700 |
| **Investment:** | £50m | £300m |

NISSAN and the UK Government agreed in February, 1984, that the Japanese group would build a car plant in Britain. In March, Nissan announced that from eight potential areas it has chosen Washington, Tyne and Wear, as the site.

Volume production of the new Nissan Bluebird saloon (from kits supplied from Japan) begins at the new facility next week.

The project consists of two phases. A decision whether the second phase will go ahead will be made by Nissan in 1987 "on the basis of its commercial judgment in the light of its experience in operating the plant under Phase One."

The outline is indicated in the chart, above. Nissan says it wishes to use as many European-produced parts as possible under Phase One. In the next phase it has agreed to start with 60 per cent European content, measured by ex-factory value, building to 80 per cent by mid-1991.

Under Phase Two a substantial level of export is also expected.

Project History

# Born out of politics and strife

TWO OLD MEN have had e profound effect on the history of Nissan's project in Britain.

The first is Octav Botnar, now in his 70s, who since 1970 has built sales of Nissan cars in the UK from 1,500 a year to more than 100,000. One of the project's greatest advocates, Botnar claims he was instrumental in getting Nissan to consider the UK venture in the first place.

But implacably opposed to the venture from the moment it was first mooted was tha second old man, the venerable Katsuji Kawamata, who was 79 before be retired from the chairmanship of Nissan last year.

Kawamata, who died recently, was worried that his grandchildren might have to carry the stigma of being related to e man who built a monstrous, unprofitable, "white elephant" of a plant in Britain.

It seemed in January 1981 that Kawamata had been outmanoeuvred by the then Nissan president, Takashi Ishihara, because the group announced with a fanfare at a conference in London that it had started a feasibility study for a 200,000-cars-a-year factory in Britain, costing up to £300m end employing nearly 5,000.

International politics played as much a part in the decision as internecine warfare within the Nissan management.

The success of the Japanese car builders with their low-cost vehicles had encouraged the growth of protectionism in those Western countries with their own major motor industries which employed up to 10 per cent of the manufacturing workforces.

In 1975, the UK obtained e "voluntary" agreement restricting shipments of vehicles from Japan which was at first supposed to be a short-term measure to allow British Leyland to recover from its financial collapse.

By the end of the 1970s it was clear that the "voluntary" agreement was set to become a permanent fact of life in the UK.

At the sama time Mrs Thatcher's government was making special efforts to encourage inward investment to the UK from overseas organisations of all sorts.

The Nissan project, as first outlined. seemed a tremendous coup.

However, the news was not received enthusiastically by British Leyland, which that very week had been promised a further £990m of state money on top of the £1bn it already had received.

To say the least it was surprising to find the UK government offering financial assistance to a major competitor after investing so much in its own company.

For, if the original Nissan scheme had gone ahead, the Japanese group's new factory would have been pouring out 200,000 cars by 1984, selling at least half of them in the UK on top of imports from Japan and undermining the state-owned British group's recovery programme.

The rest of the European motor industry seemed more sanguine at the time. Nissan promised that from the start at least 60 per cent of the content (measured by ex-factory value) of its UK cars would be sourced from Europe, rising quickly to 80 per cent.

The European carmakers felt they had little to fear from Japanese companies producing vehicles in Europe. That would put the Japanese on a much more equal footing.

The arguments within Nissan continued during the feasibility study stage, which dragged on and on. Unlike its arch-rival Toyota, Nissan was not making enough profits in the usually lucrative Japanese domestic market to pay for all its grand investment plans abroed.

It was losing Japanese market share to Toyota and those aggressive upstarts Honda, Mazda and Mitsubishi.

Its management was sorely stretched, attempting to put into operation other expansion projects in Mexico, Australia, Italy, Spain, India, the Philippines, Taiwan and the US.

Worst of all, protectionism was rearing its ugly head in the US, Nissan's major export market and the one where it earned most of its profits.

The circumstances favoured Kawamata and the head of Nissan's union, Ichiro Shioji, who wanted the British project scaled down so that Nissan could concentrate on the US. They won the day and Nissan announced it would produce cars in the US at a factory originally put up to assemble light commerciel vehicles.

However, it would have been too great a loss of face for Nissan to have shelved the UK project completely. But, instead of a plant to manufacture 200,000 cars a year, Britain got an assembly point for 24,000 kits.

Botnar, the importer, was extremely disappointed. But he still hopes to live to see the day when Nissan will be a major carmaker in Britain with a market share of at least 10 per cent and substantial exports to other parts of the Common Market.

Ha is so sure that Nissan will move to the second phase of its current UK project, and the production of 100,000 cars a year with a high European component content, that he has been taking extraordinary measures to strengthen his dealer network to handle the bigger market share.

Many of the small, family-owned Nissan outlets have left the franchise to be replaced by larger, corporate-owned groups. Nissan UK, the import company, has a budget of £100m for its own dealer development programme which involves providing fioance and carefully-chosen sites to successful car salesmen wanting to set up on their own account.

The speed at which Botnar is pushing through the changes has upset some of his dealers, particularly those who unwillingly have had to give up the franchise.

Botnar has agreed to sell his highly-profitable company (in the year to July 31 last it made a taxabla profit of £51m on sales worth £496m) to Nissan—but only if the Japanese group decides to go ahead with the second stage of the UK project.

Nissan has joined with Mitsui, a major Japanese trading house, to negotiate for the UK import company. Botnar is willing to sell a minority stake (perhaps 26 per cent) as soon as an announcement about the second phase is made and the rest when the first fully-manufactured cars come off the lines.

That announcement was expected by many to come in March this year during a visit to Europe by Nissan's new president, Yutaka Kume. In return for Nissan bringing forward the decision, tha UK Government was expected to give Nissan something in return—at the very least allowing the UK-assembled cars to count as British rather than imported vehicles.

However, Nissan ran into more troubles as tha Yen rose to something nearer its real worth against the US dollar; both the US and Japanese car markets weakened and demand in export markets in the Middle East and China declined sharply Kume stayed at home to help cope.

In the UK the government was involved in a shambles over the sale of parts of British Leyland to General Motors and Ford and this spring was not a good moment to announce concessions of any sort to a foreign vehicles producer.

Botnar hopes that the second-phase announcement will come soon after Nissan's annual meeting this month. Nissan can do nothing else but go ahead, he argues.

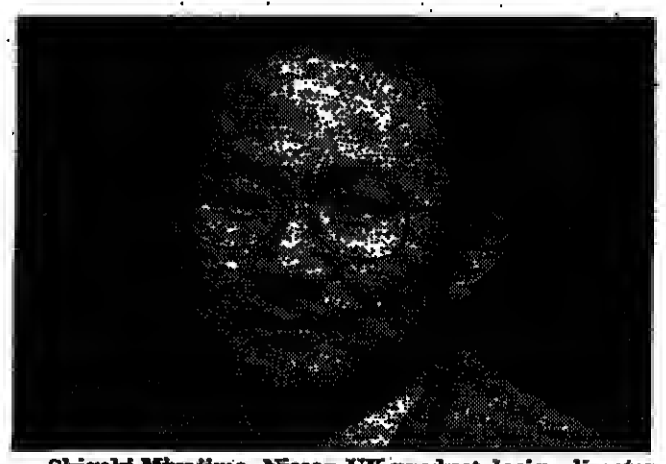
There are other pointers. To start with, Ishihara, the project's great proponent, is now Nissan'e chairman. And the man put in charge of day-to-day operations of the British scheme is Toshiaki Tsuchiya, at 57 the youngest manufacturing man on the Nissan board.

Tschuiya gained his reputation by building the Micra assembly lines at the Murayama plant near Tokyo where he took automation further than anyone else had dared to go.

**Kenneth Gooding**

Octav Botnar (left) was an early advocate of the Nissan agreement, signed by Norman Tebbit, then Trade Secretary and Takahashi Ishihara, the Japanese chairman





...Shigeki Miyajima, Nissan UK product design director

# Long slogs for design chief

**The working day for design and engineering director SHIGEKI MIYAJIMA stretches up to 14½ hours**

THE DIRECTOR for product design and engineering at Washington is a little different from the other four Japanese directors (including the managing director) who have been key figures in the plant's development.

For one thing Mr Shigeki Miyajima has a Scottish wife. For another he obtained an MSc in international marketing at Strathclyda University.

Mr Miyajima does share many traits with his Japanese colleagues — including a very broad-based training and a willingness to work hours many British managers would find unacceptable.

The 44-year-old mechanical engineer heads a department of 30 who are responsible, among other functions, for handling all the technical and product design information passing between Japan and Washington and for dealing with potential UK component suppliers whose products must all be eventually evaluated in Japan.

Mr Miyajima works very long hours. Winding up to commercial production at Washington, his typical working day at the plant stretches from 8 am to 10.30 pm with not infrequent visits to the plant on Saturdays.

At least he could get home to his modern detached house at nearby Chester-le-Street in Durham to watch some of the late-night World Cup soccer games.

"There are many minor differences between Jepanese ways of working and those in Britain," says Mr Miyajima, speaking in the big open plan product design and engineering office where everyone, including himself, sits at the same type of rather plain functional work-desk.

"Some of the mentality is different, the attitude to working. It eppears to me that for my British colleagues their families are very important. They are to us too, of course, but the British show this in prectice by needing to spend more time with them.

"Generally speaking I'm satisfied with my British colleagues. In comparison with staff in other parts of Europe they work harder and longer and have a lot of enthusiasm."

Mr Miyajima is critical of the narrowness of training of British engineers though appreciative of their depth of knowledge within their specialist disciplines. His department has just over 20 engineers, all relatively young graduates.

He demonstrates the breadth of training experienced by the majority of senior Japanese production personnel. A mechanical engineering graduate from Tokyo, Mr Miyajima has also had a stint at the University of California in Los Angeles studying multi-national companies.

As a 27-year-old he was in Mexico helping to set up Nissan Mexicana. He was also in Belgium 13 years ago, to help set up a liaison office for Nissan, adding French to his command of Spanish and English.

He came to Washington from the Nissan Technical Centre at Atsugi and is likely to be in England for another three to four years.

Much of the work surrounding the delicate subject of achieving the local content commitments given by Nissan to the British Government is falling into the lap of Mr Miyajima. But he still has time to enjoy the attractions of living in the far north of England.

Like so many Japanese managers in the north-east Mr Miyajima has found the immediate friendliness of local people easy to live with. One of his and his wife Nora's three children is at Durham High School, tha other two are too young for school.

He plays golf et the village of Bolden, one of the former mining villages that make up the new town of Washington, and et the sweeping course behind the George Washington Hotel near the plant. He does not seem to be as fanatical about golf as many of the Japanese however.

Instead, he says he would rather spend his weekends with the family, one great love being the dey trips over the Pennines to the Lake District in Cumbria. "That place is so beautiful," be says.

**Nick Garnett**

The North East

# Other Japanese companies follow

THERE IS a joke going the rounds that Nissan should be receiving commission for attracting investment to the North East. Since the car company announced its decision to come to Washington another seven Japanese companies have followed, bringing the total in the region to 13, among them Komatsu, the world's number two in earth-moving equipment.

Might the North East be on the road to emulating the achievement of Scotland, where success has bred success, and weaknesses in the economy have started to assume less and less prominence?

Most local industrialists and economists are more cautious. They have learned that one swallow has yet to make a summer. "We have to run damned hard here to stay on the spot," says one. "In the North it seems you take one step forward, only to take 10 steps back," says another.

While any boost to employment prospects is more than welcome, the economy suffers from fundamental weaknesses, built up over decades, weaknesses which require equally fundamental solutions.

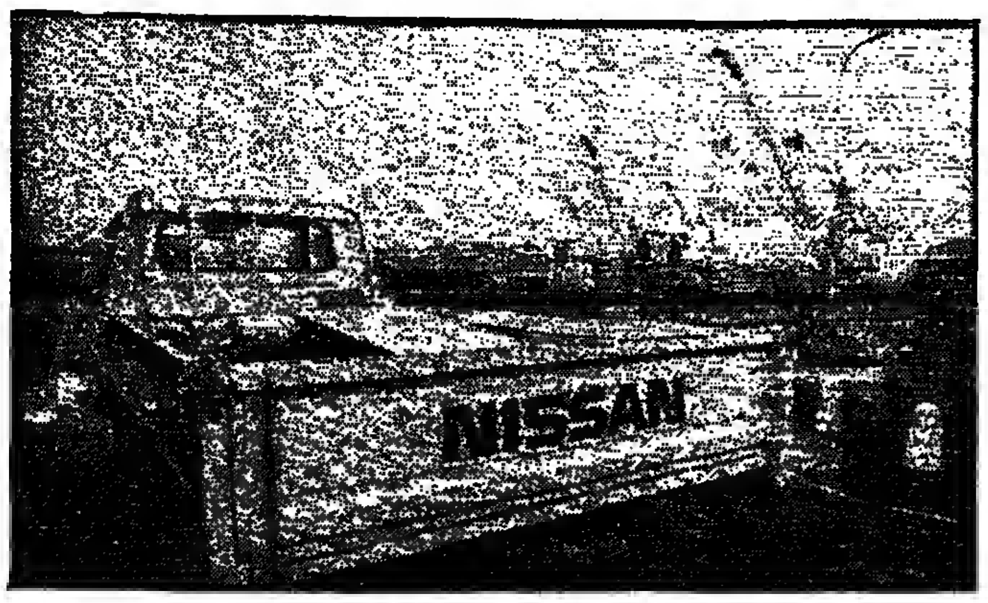
Part of the problem, according to Dr Fred Robinson, senior research associate at Newcastle University's Centre for Urban and Regional Development Studies, has been the "branch factory syndrome," with 75 per cent of the region's productive capacity subject to external control.

"These plants, brought here in the heyday of regional policy to occupy the prairie-style industrial estates built during the 1960s and early 1970s, are isolated from the company's main operation.

Often they manufacture only one or two products, and have no research and development facilities. When those products become out of date, instead of plant being upgraded, the factory is closed.

"These branches are seen as distant outposts which head office managers in London or overseas consider to be expendable."

The closure, announced last month, of TI Machine Tools' factory at Blaydon near Newcastle, with the loss of 440 jobs and concentration of the company's output at its Coventry plant, provides a vivid example of this "retrenchment back to base," he says.



Nissan could bring jobs that have been lost in the rundown of shipyards

The absence of higher level management also means that branch factories do not identify with the local community," says Mr Danny Sharpe, of the DTI's regional office in Newcastle. "NEI is about the only very large indigenous manufacturing company in the North East. When it closed part of its operations on South Tyneside, it helped get a new enterprise agency off the ground."

The lack of demand for financial services, a growth sector in other regions, is another symptom of the branch factory economy.

"But we could not afford to be choosy. It was extremely helpful to have branch factories, particularly as traditional industries were rundown. Without them, the employment situation would be catastrophic," Mr Sharpe says.

"Catastrophic" or not, jobs in what were the region's traditional industries have been cut dramatically over the past 10 years. In the coal industry they have fallen from 22,000 to 13,000, in shipbuilding from 31,000 to under 8,000 and in steel from 26,000 to 7,400. The public sector remains a major employer, with between 11,000 and 12,000 working at the DHSS benefits complex in Newcastle alone.

The North Easterner's long-standing reliance on one of the region's monolithic employers has tended to stifle his entrepreneurial spirit, with the number of small firms created well below the national average. In the North last year, there was a 3 per cent increase in self-employment. In the country as a whole, the figure was 5 per cent.

The region also has a higher level than the national average in manual work, over those in scientific, technical, professional or managerial occupations, further explaining the slow growth in small businesses.

There have been encouraging signs, nevertheless, of a gradual broadening of the region's economic base. In Northumberland, for example 5,000 are now employed in pharmaceuticals, while across the region, electronics companies employ 16,000. Since 1979 North-East companies have received £35m under the government's Support for Innovation scheme.

In Newcastle, a technology centre seeks to bridge the gap between industry and academia, while a regional innovation centre helps inventors develop their ideas into marketable products. The Mountjoy Research Centre, on Durham University's science campus, conceived initially as a centre for materials science, has been partly designed to support the university's scientific community and elevate its importance in attempting to regenerate the North East's economy.

Sector working parties, each with representatives from a dozen leading companies in the region, and academics have been set up by the North of England Development Council, in conjunction with the DTI to improve the region's response to technological change.

On the banks of the River Tees, the Britannia enterprise zone includes an ocean technology development area and a CADCAM training, manufacturing and service complex. A central computer complex offers computer facilities and expertise to firms nearby.

According to Mr Paul Grosvenor, responsible for inward investment from the far east at the North of England Development Council, the main agency promoting the region abroad: "There are quite a number of major investments by electronics companies in the pipeline, but they place a very high priority on cheap, clean sites."

The government is now taking steps to improve the environment of the region, aware that its areas of dereliction might deter investment by these new industries. Departments such as Environment, Employment and Trade and Industry are working in tandem on the Newcastle and Gateshead City Action Team, the Cleveland Co-ordinating Team and Middlesbrough Task Force.

In another, perhaps more radical, move to reclaim industrial wasteland for new industry, local authorities, trade unions, private industry, the CBI and churches joined together last month in the Cleveland Initiative. This development company, which hopes to attract private and public investment into the area, has already identified 18 derelict sites to be reclaimed and provided with services.

This work would require £50m and create 18,000 jobs. A further £50m each year for the next 10 years could reduce Cleveland's unemployment rate to the national level.

Pressure is growing within the region, nevertheless, for all such initiatives to be broadened and co-ordinated under one agency, a one-stop-shop to provide potential investors with a package of land, premises and financial assistance.

The Northern Development Company (NDC) has the backing of the CBI, the TUC, all but a handful of the region's local authorities, and Northern Investors Group, which offers equity finance to North-East companies. It has presented a paper to Trade and Industry Minister Mr Paul Channon for discussion in cabinet.

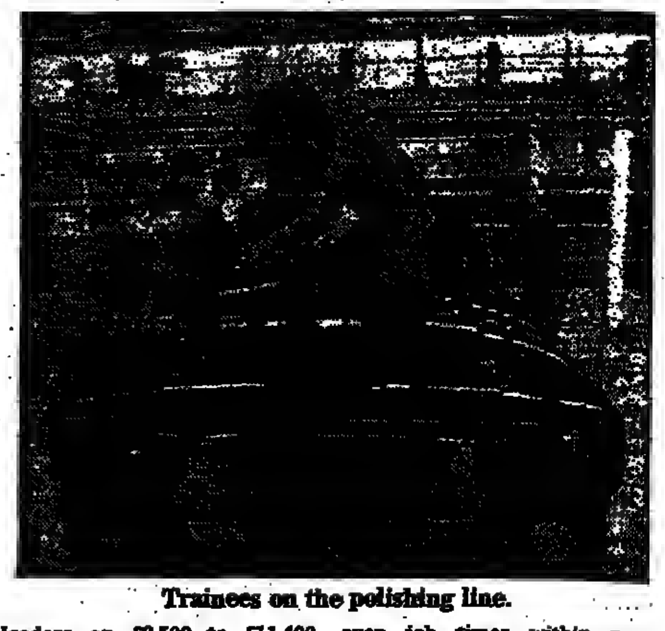
According to Mr Jim Gardner, NDC's secretary: "The need for a single voice really came home to us following our success with Nissan. When the company announced its intention to come to the UK, all areas with land which could be suitable promoted themselves. But in the North East local authorities agreed to drop out if Nissan favoured any one site.

"Our immediate aim is to encourage inward investment and economic development, but in the longer term, the NDC would hope to be involved in the community in a more general way, in environmental improvement, for example. We would hope to pull together all the region's resources, to promote inward investment and foster indigenous industry."

**Alastair Guild**

Labour

## Ground broken by union deal



Trainees on the polishing line.

ONE SPHERE in which Nissan has broken new ground in the UK motor industry is labour relations. The framework of bargaining rights, pay systems, the role of the shopfloor supervisor and the practice of yearly appraisal for every employee, distinguishes the company from other vehicle manufacturers.

Nissan's single-union agreement with the Amalgamated Engineering Union is similar to those negotiated by Japanese electronics companies operating in the UK but unique in the British car industry.

The agreement, whereby the AEU is the sole recognised union for everyone up to senior engineer level, gives union officials no right to enter the plant let alone negotiate there. Officials may involve themselves in labour issues at Nissan only if they are invited to do so by members of the company council.

The council, which currently has 15 members, is the only discussion and bargaining body. Eight members are elected from occupational or departmental constituencies within the plant and a further six members are nominated from management. Elected members need not belong to the union.

In January the council agreed a 6 per cent pay settlement. Mr Joe Cellini, regional official of the AEU responsible for Nissan employees, was visited by members of the shop-floor and management and simply told about the agreement.

But the AEU, which secured Nissan recognition in competition with the Transport and General Workers Union and the General, Municipal, Boilermakers and Allied Trades Union, is the ratifying agency for wage agreements negotiated in the council.

The agreement with the AEU is a "no strike" deal in all but name, though it has one final let-out or "safety valve." It includes a commitment that problems will be resolved internally whenever possible.

If internal negotiation fails the agreement provides for conciliation by the Advisory, Conciliation and Arbitration Service (ACAS) and ultimately pendulum arbitration in which the arbitrator has to accept either the management or the shopfloor position in the disputes which come before him.

During this whole process, the agreement effectively debars any form of industrial action. But the final stage—pendulum arbitration—is not compulsory. Indeed, both sides have to agree to arbitration before the company can go down this road. This obviously leaves the option of industrial action.

The shop floor personnel structure is simple. Direct production workers are divided into two groups — manufacturing workers and technicians. Each small group of shop-floor workers has a team-leader and above them are 22 supervisors —one for maintenance and the others for manufacturing. Phase Two manufacturing would involve the introduction of people to be known as senior supervisors.

Job descriptions are deliberately left vague and there is a strong overall commitment to job flexibility and mobility, though this would involve a lot of extra training for Phase Two.

Nissan has a young workforce. Almost everyone below manager level is under 40. So, too, are many of the managers. Mr Brian Carolin, personnel manager and a former organisation analyst at Ford, is just 29. The average age of production workers is 25.

The pay structure is also simple; but, perhaps uniquely in the UK motor industry, it provides for increases, within specified bandings, based on individual performance.

Workers in the lowest grade of manufacturing staff earn £7,000 to £9,650. Technicians earn £8,000-£9,300 with team leaders on £9,500 to £11,400. The banding for supervisors ranges from £12,500 to a maximum of £15,600. Senior engineers start at about £16,000 and receive lease cars from the company.

Production workers who were put through verbal, numeracy and reasoning tests were selected by team leaders and supervisors—not by the personnel department under Mr Peter Wickens, personnel director and a former British Gas and Ford senior manager.

The supervisors themselves were selected after tests devised by occupational psychologists. None of the manufacturing staff had any prior experience of vehicle-building but six of the supervisors were recruited from the motor industry. Already one supervisor has been promoted to engineer and one team leader to supervisor.

The job of supervisor is much closer to the Japanese model than that of the traditional British foreman. The supervisor exerts a great deal of control over job times within parameters set by production engineers; he also acts as a kind of counsellor for the production workers under him and is responsible for appraisal.

Japanese factories in Europe have tended to be much closer in concept to indigenous companies than the more innovative Japanese plants in the US. It has yet to be seen whether the Nissan appraisal system will come to mean as much in practice as it does in Honda's car-assembly operation in the US.

But Nissan does believe in a considerable amount of equality at its UK plant. Hours of work, holidays (25 working days a year), overtime premiums, pensions and sickness pay are the same for everyone. After one year's service a worker is entitled to one years' full pay during a long illness, with an insurance scheme that provides half pay after that. The factory has so far had less than 1 per cent absenteeism.

**Nick Garnett**

## Pyramid of control

MANAGEMENT STRUCTURE is as clearly delineated and free from top-heavy classification as the shop floor workers. A main factor in decision-making is the inclusion of people from a wider range of departments than is common in most European car factories.

The plant has one managing director—Mr Toshiaki Tsuchiya, former boss of Nissan's Tochigi plant in Japan, under whom are seven directors. Four of them are Japanese, responsible for design, production, engineering, finance and quality control.

The three more outward-facing jobs that involve managing resources and people are in the hands of British directors. Mr Ian Gibson, a former Ford manager, heads purchasing and production control; Mr Peter Wickens is in charge of personnel and labour relations; and Mr John Cushnaghan heads production.

Each of the British directors has a senior Japanese "adviser," acting as go-between with Japanese component and equipment suppliers and with Nissan in Japan. These are among the 20 or so semi-permanent Japanese executives.

Below this level, the management structure begins to look like that of a Western car plant. There are 17 managers, all British, spread across the three departments of production, engineering, and administration.

Then there is a tier of senior supervisors (to be appointed under Phase Two), senior engineers, and senior controllers in administration all with equal status. Below this level, in the three departments respectively, are supervisors, engineers and controllers.

**Nick Garnett**

Equipment

# Obedience ethic rules suppliers

PRODUCTION equipment at Washington comprises nothing revolutionary in car assembly techniques though the plant uses some that are unique in the UK.

"It is a sound facility that has been well installed, the most modern of its type but not the most highly automated," says Mr John Cushnaghan, director of production and former manufacturing manager at Austin Rover's Cowley factory.

The production layout was designed in Japan and the tooling decisions taken and purchasing carried out by Nissan in Tokyo and by Nissan Machine Tool.

The plant—which is not dissimilar to though smaller than Nissan's factory at Smyrna, Tennessee—was laid out by Japanese engineers while Nissan Machine Tool installed the jigs and robots.

The plant represents a co-operative effort by the Japanese and British equipment suppliers. Some nine main British contractors supplied equipment, mainly assembly "tracks," conveyor systems and paint-shop plant.

About £28m of the £50m overall project cost was spent on factory equipment. Of this, says Nissan, about 70 per cent was spent in the UK, and most of the rest in Japan.

A sizeable proportion of the UK content, however, was accounted for by equipment made in Japan by associate companies of the UK suppliers. For example, Haden King supplied the main overhead conveyor for the paint shop, but the related floor system was manufactured by NKC of Japan with which Haden King has a technical agreement.

Nissan insisted on, and in some cases erranged for, a Japanese partner for most of the UK contractors. In general, the UK contractors found Nissan pretty demanding to deal with and pricing was fiercely competitive given Nissan's relatively low capital budget.

Japanese companies are used to dealing with suppliers who are fairly subservient to the purchaser. "Obedience" is a key word in Japanese industry.

This concept can obviously prove difficult in Britain, where contractural relationships are somewhat different. This tended to manifest itself in tetchiness between Nissan and some suppliers where Nissan set the performance criteria for the supplier to meet those criteria within the agreed price.

One supplier complained that Nissan changed the specification but still expected to buy the equipment at the original price.

Even so, Nissan has been pleased with the equipment and with the attitude of most of the UK manufacturers. The only significant problem that had to be overcome, says Nissan, was in the UK engineers to understand the logic involved in the Japanese software for the robots. The robots were supplied by Fanuc of Japan, and, for the welding processes, by Nissan itself.

The factory is spacious, with wide aisles and the Japanese-style rest areas, one for each group under the 22 supervisors, with comfortable seats, tea-making facilities and blackboards where quality issues, production schedules and training plans are discussed with chalk-written diagrams and figures.

Electronic "scoreboards" giving read-outs of the daily production target and the actual output figure hang from the roof. The layout has been designed so that workers carry out most of their tasks at a height of 1.5 metres.

The plant has been so designed that under Phase Two the manufacturing, paint shop and assembly lines could remain as they are, even if they had to be expanded. But the body shop would be dismantled and replaced.

Among the UK contractors, Babcock Fata secured a £2.7m rider for the body, assembly and final trim facility, including overhead and floor conveyor systems and a type of monorail handler.

Inco installed much of the equipment in the body shop while other conveyor suppliers included Translift. Suppliers to the paint shop included Flakt and Eltamair with Binks Bullows providing painting equipment and Devil Bliss the autospray facilities. The French company Sciaky was also an equipment supplier.

The main assembly track is known as the Liger Line, derived from the Japanese tiger and the British lion.

An unusual feature — which is in use on at least one other car assembly line in the UK motor industry — is the removal of all four doors from the painted body before it reaches the final trim line.

The doors are taken off by a "manipulator" and moved by conveyor to a part of the plant where the doors can be trimmed and fitted into an independent power source to check the window lifts and central locking devices. A computer ensures that the doors are returned to the bodies from which they taken.

A feature that is probably unique in Britain — though not in some other car-producing countries — is the body-tilting facility which allows easier access for the assembly workers on the line.

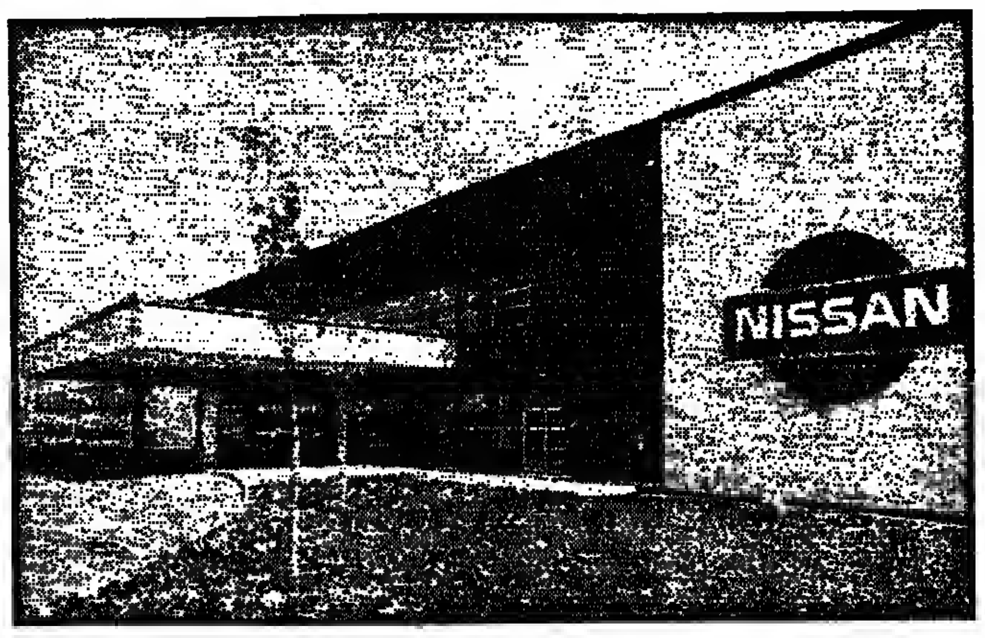
At three locations in the plant each car is tilted to a different angle in relation to the work station.

At one point its front end is raised by 30 degrees so that components can be fitted more easily into the engine bay. The car is also tilted on to its side to make the fitting of suspension components and brake pipes less arduous while at a third location it is tilted the other way for underbody wax treatment.

Mr Cushnaghan claims that the production technology at Washington is a perfect balance between the need for advanced equipment and cost-effectiveness in terms of capital outlay.

But he also puts the plant's physical characteristics into perspective. "Our success here depends on attitudes rather than the type of facility we have," he says.

Nick Garnett




# Fast-track construction

THE NEW assembly plant and office building on the former Sunderland Airport site shares many design features with Nissan's factory et Smyrna, Tennessee, though the finish and outer claddiog of the UK building is of much lower specification.

Civil engineering companies bidding for the cootract were told that if they expected to construct a building as expensive as thet in Tennessee they were barking up the wroog tree.

Out of a final list of four companies, Sir Robert McAlpioe won the £22m contract to design and manage the project. Negotiations and discussions throughout were conducted by McAlpine solely with Japanese engineers.

There is nothing remarkable about the steel-framed production and office structure, nor the paint shop connected to it by an undercover conveyor system. But what was somewhat unusual was the relatively short building period McAlpine had to contend with. Excavations began in October 1984 and the buildings were ready by December 1985. This was preceded by just six weeks leed time for design work.

The relatively small complex of two storeys is made up of 54,000 sq metres production space, 6,000 sq metres of administration offices and a 20,000 sq metres paint shop. There are also three miles of road on the 297-ecre site.

Nick Garnett

About 70 per cent of the cost of factory equipment was spent in the UK

Local Industry

# Few can meet stiff standards

COMPETITION between British component suppliers for Nissan contracts has been understandably intense. The Japanese company's decision to locate in Washington provided a potential lifeline for an industry otherwise facing massive over-capacity.

Within a month of Nissan's announcement 1,000 companies approached Washington Development Corporation alone. Yet it soon became clear that few of these could hope to meet Nissan's procurement requirements.

Car component manufacturers in the North East had, it would seem, the greatest difficulty in convincing the Japanese company that they could comply with its tight specifications. Of the 27 British manufacturers announced last month to supply parts for the first Bluebird cars to be produced at the plant, only three have a presence in the region, and all with some Japanese involvement.

A joint venture formed last year between Ikeda and Hoover Universal will supply seats; Sumitomo, which took over Dunlop's factory has a contract for tyres; while next door to the Nissan plant, TI, in a joint venture with Nihon, will make exhausts.

There are three possible explanations for the poor showing of local companies. Many were unaware, to start with, of the ways of Japanese industry. Now local Chambers of Trade are inviting Nissan to talk to their members about what the company expects from its suppliers.

The prospects for North East companies were further limited by the absence of any local tradition of car manufacturing, according to Dr Ian Smith, of Newcastle University, who has made a close study of the car component industry.

Mr Ian Gibson, Nissan UK's purchasing director, says: "We haven't ruled our North East suppliers. Perhaps if we go to the next phase, there might be a stronger inclination on their part to invest more in plant and machinery to secure more orders."

Wherever feasible, Nissan will work with manufacturers to help them build up to the company's rigid specifications. Development work is already proceeding with six UK companies, two of them in Newton Aycliffe. Jonas Woodhead, which makes suspension springs and Tallent Engineering, producing suspension arms, are "one or two steps away" from signing contracts.

Nissan is also viewing the possibilities of sourcing from non motor industry specialist companies in the region. It is in discussion with 30 local, mainly general engineering and press work companies, and says it would help with the cost of any necessary retooling.

Some local authorities, such as South Tyneside and Sunderland Borough Councils, say they too could help local companies re-equip and train young people for the new skills required. Mrs Jeoet Smith, Sunderland's industrial development officer, hopes that some of the retraining for redundant shipyard workers provided by British Shipbuilders Enterprises will be directed towards improving prospects for employment in Nissan and other companies servicing Nissan.

Washington Development Corporation says it has been approached by several companies thinking of setting up near Nissan should Phase II proceed. It has 300 acres of serviced industrial land, some of it with advance factories, within sight of the Nissan plant.

The corporation is preparing for the future in other ways, talking to Nissan about the sorts of skills that young people need to learn now to meet the company's needs when there is growth in employment.

Tyne and Wear County Council also had an eye for the potential employment opportunities presented by businesses moving in to supply Nissan, when it spent over £5m on the acquisition and preparation of Boldon Business Park on the A19, seven miles from Newcastle and five miles from Sunderland, and Hadrian Business Park, close to the A1(M).

According to Dr Smith, there is the risk that the north east might benefit at the expense of areas such as the West Midlands. If Nissan makes inroads into the market share of UK car manufacturers such as British Leyland, there is a real possibility that car component manufacturers would relocate here from other unemployment blackspots, he says.

In contrast, Nissan has been able to meet most of its service requirements from within the region, with maintenance and catering services, general supplies, tools, office furniture and carpets all being supplied locally.

Alastair Guild

Component Suppliers

# Bluebirds becoming British

WHEN THE first full-production Nissao Bluebirds roll off the line at the Washington plant in the next few days, each will include parts from 27 UK component suppliers.

They will account for about 20 per cent of the cars' content. More components from UK and other European suppliers are undergoing appraisal and testiog. It will not be too long, suggests Mr Ian Gibson, Nissan UK director of purchasing and production control, before the "local" content of the Washington cars is pushed up to 40 per ceot.

Drive-shafts and suspension parts are some of the latest items under consideration for substitution, thus shrinking the value of the kits imported from Japan from which the Washington Bluebirds are being built.

Existing UK suppliers include Pilkington Glass, through its Triplex subsidiary, which is providing all glass; NP Ecko of Southend (instrument panels and bumper mouldings), Lucas Electrical (alteroators and batteries) and BTR (steel wheels).

Some 60 per ceot of the tyres are coming from the nearby SP Tyres (formerly Dunlop) plant now owned by Sumitomo of Japan. The contract is worth £1.25m in a full year, involving the supply of 72,000 tyres at Washiogton's plaoned 24,000 cars-a-year initial "phase one" assembly rate.

That represents only about 5 per cent of output at the Washington tyre plant, where 480 are employed. So with productivity increasing at the rate of about 15 per cent a year, Nissan's presence will have no beneficial impact on employment.

But the tyre company makes clear that provided Nissao does move to phase two and production of more than 100,000 cars a year, regarded as a near certainty, the "help wanted" advertisements would start being placed, although the company is not prepared to forecast numbers.

The expected commitment to phase two, likely to be made public next year, would necessarily involve Nissan in further increases in the production of compooents sourced within Europe. Under the heads of agreement with the UK Government, the production of 100,000 cars a year would require at least 60 per cent European content initially, rising to 80 per cent as quickly as possible.

The extent to which Nissan would employ UK components in the initial assembly phase, io which all cars produced are counted as imports and thus involving no formal commitment to using British parts, has heeo seen from an early stage as something of a litmus test of the capabilities of the UK components industry.

Certainly Nissan's UK subsidiary has been painstakingly thorough in assessing their quality and reliability. Sample orders by Nissan led to trials lasting many months before being converted to production-line contracts. But Mr Gibson has been anxious to lay at rest any notion that the UK components industry — or at least part of it — is not capable of making the grade.

The successful suppliers admit privately that they have had to work hard to meet Nissan's standards. But the consolation is that, contrary to usual European practice of putting out business to tender each time a model change is made, Nissan intends that the componeot makers with whom it is doing business should be long-term suppliers.

The approach is a challenging one for suppliers, as it will require them to do their own design and development of components rather than merely making them to Nissan's specification.

Mr Gibson makes clear that the Washington-built Bluebirds are not simply clones of their Japan-built counterparts, and will diverge even further to the extent where, presuming full manufacturing goes ahead, "the car eventually produced will be our own vehicle."

Japanese and Washington models already diverge in minor ways, and there will be steady further development of the Washington cars as typical European-style products, he stresses.

One of the "myths" about what Nissan would require of its suppliers has already been dispelled; namely that anyone wishing to supply would have to set up a satellite production facility at Washington to allow for the well-known Japanese "just-in-time" component delivery procedures.

If a supplier was adding capacity specifically for Nissan, then it would make sense to site a plant nearby but no such insistance has been made. The incentive to set up satellite plants, would be greater under phase two production.

Another fear which has not yet materialised is a flood of Japanese component suppliers setting up around Washington, squeezing out indigenous UK companies.

The component makers are coming in, but via joint ventures with UK concerns. These include TI Silencers and Nihon, producing the cars' exhaust systems, Hoover Universal and Ikeda Bussan (seats and headlinings) and Kanto Seiki (supplying tooling to NP Ecko for the instrument fascias).

**John Griffiths**

A Japanese worker on the Nissan assembly line in Washington

UK Motor Industry

# Aiming for the magic 10%

EXACTLY 105,517 Nissan cars were registered in Britain last year. They represented a market share of 5.76 per cent for Nissan UK, the privately-owned company run by Mr Octav Botnar which imports Nissan cars to Britain.

The share was down slightly on 1984's 6.08 per cent. And this was despite the fact that towards the end of last year, Nissan UK actually pre-registered several thousand cars which at the time did not have final owners.

It did so in order to ensure that its 1985 allocation under the Anglo-Japanese gentleman's agreement, restricting Japanese imports to 11 per cent of the market, would not be cut.

Yet if the Nissan manufacturing operation at Washington is to be the long-term success that its Japanese parent hopes, then it must he thinking about taking perhaps 10 per cent of the total UK market.

For while the Japanese producer has not yet formally committed itself to Phase Two at Washington, entailing the manufacture of at least 100,000 units a year—and more likely closer to 150,000—hy the early 1990s it envisages total success as being phase three, or up to 250,000 units a year.

Yet even at the 100,000 a year production level, Nissan would be likely to continue to import the existing number of models to which it is entitled, making at least 200,000 cars to be largely absorbed within a UK market currently running at an annual rate of around 1.84m units.

Given the current state of demand for Nissan's products, that would appear to present the company with a problem.

It is for that reason that Nissan UK is spending a claimed £100m on a dealer development scheme, under which it is buying new premises at sites seen as being able to generate high sales volumes, and leasing them to selected entrepreneurial types with start-up loans. Seventy such dealerships have been set up so far, and Nissan UK is still looking for more open points.

When existing dealerships are added, Nissan's total network with established and smaller dealers, stands at about 370 outlets.

And Nissan UK is well aware that they must gain access to the business car market, which accounts for about half of all new car sales in the UK, if the goals are to be achieved.

Yet Mr Botnar and his colleagues, who expect one day to sell Nissan UK to the Japanese manufacturer — but who show no signs of being ready to do so yet — are perfectly aware that the fleet market is not about to be penetrated overnight.

A recent survey of UK company attitudes to Japanese cars carried out by the contract hire and leasing company, Herondrive, for example, indicated that about one-in-three of British companies place a positive embargo on Japanese cars being included in their fleets.

About 60 per cent of the respondees said that even the Washington-built cars will be regared as Japanese; the perhaps consoling aspect for Nissan being that many said their view might change if Nissan really did move to high volume manufacturing with a genuinely high level of UK or European compoonts.

Nissan UK itself is quick to draw a distinction with the fleet market "The word 'fleet' implies orders for hundreds or 1,000 at a time, and at this stage we simply couldn't cope," said a spokesman.

Instead, what the company has been doing this year is to train some 150 sales people so far, at individual dealerships, on selling to business users. It is also backing them up with literature, nemonstrators' cars and other support.

And they are to stick Nissan's toes in the business car water with smaller companies, those running a dozen vehicles, in the belief that they can reach the decision-makers more easily. Another factor, says a Nissan UK spokesman, is that "this size of company also tends to be more willing to experiment."

There are said to be at least 300 demonstrator cars now being used by such companies on assessment exercises lasting several weeks or more.

Any major efforts to get into big fleets will wait until aftar phase 2 gnes ahead. This is because "it's very difficult to get on a hig company's approved list, and it takes a long time. But once on, you can get into the aituation where yon get a 'phone call saying we want 200 Bluehirds next week."

Nissan UK professes itself "not to have beeo terrihly surprised" by the survey, on the basis that there is no attempt to disguise the Washington Bluehirds' Japanese parentage.

In fact, the perceived qualities of Japanese cars, rellability and so on, are to be actively used by Nissan UK to sell the Bluebirds on the basis that "the plant in the North-East is committed to making them as well or better than the cars produced in Japan."

The big three volume makers, Ford, Austio Rover and Vauxhall/Opel belleve Nissan will have a very difficult time establishiog a foothold in the business car sector, and that any Nissan gains therefore will be felt to a small degree across a wide spectrum of the market.

Another view, expressed hy Mr Guy Berguad, managing director of Renault UK — also trying hard to increase its fleet sales, particularly with the just-launched 21 model — is that "it will be the current market leaders who will be the main targets and who will suffer most. They are the ones with the wide spectrum of customers, although we'll all have to adapt and be more constructive and competitive."

He adds: "It's a pity that European governments and manufacturers have not been able to control the Japanese setting up before there exists a true European motor Industry and a policy for it. . . . "

**John Griffiths**

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 1 1986



# Texas partnership bids for Panhandle Eastern

BY WILLIAM HALL IN NEW YORK

MR Cyril Wagner and Mr Jack E. Brown, two wealthy Texas oilmen, have made a \$2.2bn bid for Panhandle Eastern, the US natural gas pipeline group, which said last week that it had rejected a takeover approach from an unidentified third party.

Star Partners, a partnership wholly owned by Mr Wagner and Mr Brown, has offered \$50 a share for the company, consisting of \$30 cash plus preferred stock with terms which would be designed to have a trading value of \$20 on a fully distributed basis.

The shares of the Houston-based Panhandle Eastern jumped by \$7¼ to \$48.50 last week after widespread rumours that a group of investors, including Mr Wagner and Mr Brown and possibly including Mr T. Boone Pickens, the noted corporate raider, was planning a takeover attempt. Early yesterday, Panhandle shares were being traded another \$1 higher at \$49.50.

Panhandle, which earned \$125m, or \$2.83 a share, on revenues of \$2.9bn last year, said on Friday that "it did not intend to engage in discussion or negotiations of an acquisition at this time." Yesterday, however, the company said the "unsolicited proposal" would be considered by its board and "responded to in due course."

Mr Wagner and Mr Brown rank among the biggest private oil and gas producers in the US and have been involved in a number of contested takeover bids for energy concerns. They helped finance Mr Pickens' hostile pursuit of Gulf, one of America's biggest oil companies, which was eveotually forced to seek a friendly merger with Chevron. Earlier this year they joined forces with Freeport-McMoran in an unsuccessful \$2.7bn hid for Midcon, another major gas pipeline group. tt was forced to seek a friendly takeover from Dr Armand Hammer's Occideotal group.

Panhandle has been hit by the slump in oil and gas prices and a long-running law suit with Algeria over a 1975 contract to import high-cost liquefied natural gas into the US at a time when the US was concerned about possihle energy shortages. Panhandle has been trying to reach a settlement with the Algerians and also faces claims for up to \$t.5bo for failing to honour its obligations under "take-or-pay" contracts arranged by its domestic pipeline companies.

The combined effects of sharply reduced sales and increased deliverability from domestic reservoirs has meant that Panhandle's pipeline companies have in some cases failed to buy the minimum amount of gas required under its long-term cootracts. tts earnings have fallen from a peak of \$261.6m, or \$6.52 a share, in t981, and analysts are predicting that profits will drop to \$115m, or \$2.50, this year.

Investors have, however, been attracted by the potential of some of its assets, in particular Anadarko Petroleum.

# Chicago Sun-Times sells for \$145m

By Paul Taylor in New York

MR ROBERT PAGE, president and publisher of the Chicago Sun-Times, and an investor group led by Adler & Shaykin, the New York-based management leveraged buy-out specialists, yesterday agreed to acquire the newspaper group from Mr Rupert Murdoch, the Australian-born media magnate, for \$145m.

The sale, which was mooted last week, includes the newspaper, which Mr Murdoch's News America group bought in January 1984 from Field Enterprises for about \$100m, together with its assets and property including the seven-storey Sun-Times building.

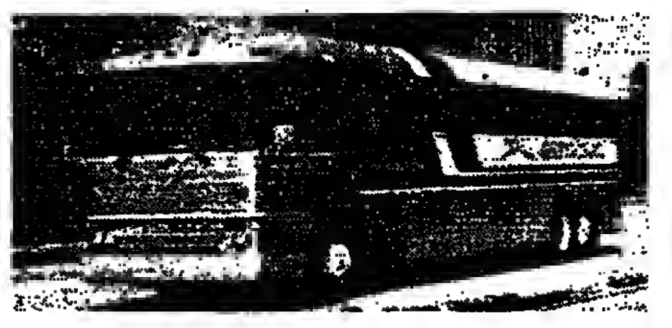
The newspaper has been on the auction block since Mr Murdoch indicated he would satisfy US Federal Communications Commission (FFC) requirements related to his purchase earlier this year of six television stations from Metromedia for \$1.55bn.

FCC rules prohibit the ownership of newspapers and television stations in the same market. News Corporation, which must also sell the New York Post newspaper, was granted a two-year waiver by the FCC to sell the oewspapers.

US TRANSPORT GROUP ISSUES TWIN ULTIMATUM

# Greyhound bus may face final run

BY CHRIS CAMERON-JONES



John Teets, Greyhound chairman

THE GREYHOUND name may have disappeared from the US bus operating scene by the end of this year, after more than half a century of existence. Mr John Teets, chairman and chief executive of Greyhound, a name synonymous with intercity bus services, yesterday indicated that this was now a very real possibility.

Mr Teets, in London to see the first day's trading of his company's shares on the London Stock Exchange, said that, if further concessions could not be secured from the unions when their cootract expired on October 31 and if the bus division looked unlikely to achieve a target of 15 per cent return on capital, the operations would be sold.

The bus activities are already packaged as four autonymous regional units that could be disposed of to employees or non-unionised operators, for instance, but without the Greyhound name.

The prospect of total withdrawal from bus operating business with \$867m a year turnover has loomed much closer since Mr Teets took over the driving seat in 1982 and began seeking large cuts in the bus units pay and routes. Matters started to come to a head in January when the unions rejected a demand for further concessions, including the closure or disposal of 98 terminals involving 3,000 jobs.

The logic of dropping the terminals is based oo the fact that it costs 45 cents in a dollar taken in fares to operate a terminal while using agents costs t5 cents.

Despite the union's vote against the move Greyhound is going ahead. Mr Teets said efficiency at terminals already sold to employees had improved dramatically.

The demise of the bus activities, which are still the largest of their kind in the US, arises from the discounting activities of the airlines. "An airline like People Express would look at our fares and then charge 20 per cent less. On distances over 300 miles we just can't compete. Eveo if I gave tickets away in New York for Los Angeles, I could not get rid of them. tts 80 hours by bus: five by air."

The impact is clear from the statistics. Over 10 years the number of passengers carried has fallen from 85m to 33m. Since 1981 operating income has fallen from a peak \$71.4m to a \$30.2m loss in 1983 before recovering to \$54.4m profit last year.

The recent upturn can be attributed to Mr Teets. The group is undergoing what he described as a major restructuring: "Greyhound today will not be what you see in two years. Some companies could be sold and companies acquired."

But Mr Teets ruled out buying an airline such as the troubled People Express, now up for sale, as "jumping into the fire."

The most likely immediate step by the group, following its London share listing, would be to acquire a European manufacturing base for its consumer products, especially for Purex Industries, the soap products company acquired last year.

Mr Teets said of Europe: "We have not done a good job here at all. We have not been aggressive in our licensing or manufacturing programme.

"Consideratioo is being giveo by our Dial Corporation subsidiary of a manufacturing hase in Europe. That could be the next step."

However, financing for such a deal would probably be raised in the US, Mr Teets said. A recent fund-raising operation was attempted through Switzerland, but it was found that finer rates were obtainable in its domestic market at present.

Overall Mr Teets, at 52 a great believer in personal physical – as well as corporate – fitness, sees Greyhound developing as a consumer products and services group. On the household products side it has Dial, having acquired what became Armour-Dial in 1970.

In manfacturing it will continue to be the largest bus maker in the US with around 80 per cent of that 1,800 vehicles a year market.

Even without its own bus services Mr Teets sees its manufacturing division contiouing to serve an albeit declining market. As a counter to this shrinkage the group has entered a joint venture with a Dallas engineering company to make computerised-loading car transporters. These vehicles, which carry the cars in enclosed cootainers, offer delivery cost savings of between \$350 and \$400 a car, says Greyhound.

This venture is absorbing the slack on the 1.6m sq ft (148,000 sqm production floor at its 2,500 units a year bus factory at Roswell, New Mexico.

On the \$657m a year financial services side Greyhound will maintain extensive equipmeol leasing interests and hope for an eventual recovery in ship leasing after four years in depression.

The group also owns a small bank in London which it aims to promote to the small businessman and entrepreneur. "We see ourselves developing services for particular niches in differeot markets," Mr Teets said.

One such niche has been identified with the acquisition of two cruise ships, one, of which, the Oceanic, is the world s eighth-largest cruise liner. tn conjunction with Disney World in Orlando, Greyhound offers a cruise and a visit to Disneyland. It does not plan to eoter the commercial cruise market.

In a separate diversification, two weeks ago the group acquired Aeroplex which has 85 gift shops around the US.

A regroomed Greyhound can, therefore, be expected, with or without the bus division. But while Mr Teets is around, it will not be wagging its tail if the return on capital is around 15 per cent. Last year, after writing off \$19.4m against alleged fraud discovered in its leasing side, it turned in net income of \$t20m, or \$2.48 a share. This was \$5m down on the previous year and at 10 per cent return well short of the target.

UK investors yesterday gave Mr Teets' efforts at Greyhound a muted welcome, and the shares closed little changed oo the day at £23⅜.

# Daimler-Benz board expected to back management changes

BY JONATHAN CARR IN FRANKFURT

A COMPREHENSIVE plan to reorganise the top management structure of Daimler-Benz, West Germany's biggest industrial group in sales terms, is expected to be approved today by the company's supervisory board.

The scheme is designed to take account of Daimler's fast diversification into a broadly based high-technology concern from one previously concentrating very largely on vehicle building.

The key aim is to ensure optimal co-operation and technology transfer between the Daimler-Benz parent and its new acquisitions – MTU (engines), Dornier (aerospace) and AEG (electricals).

The Daimler "spending spree" since early 1985 has produced a group which this year will have sales of around DM 66bn (\$30bn) – clearly ahead of other big German concerns like Siemens (electricals) or Volkswagen (vehicles).

Assuming that, as expected, the supervisory board gives the green light, the plan will be publicly announced to shareholders at the annual meeting tomorrow by Mr Werner Breitschwerdt, Daimler's chief executive.

The scheme has been under intense debate within Daimler for months, and no details are being officially released ahead of the crucial supervisory board meeting.

However, it is believed that the executive board will be both revamped and enlarged and that a new committee, made up of key board members, will oversee co-ordination between group companies.

Up to now the executive board has had nine members (one of them a deputy) and has been organised along functional, not divisional, lines. So board members have responsibility for broad fields, such as production, sales, materials procurement and so on – but not for specific product groups.

Under the plan it is expected that for the first time one board member will be specifically responsible for cars and another for commercial vehicles.

It is also believed that the chief executives of the three recent acquisitions – namely Mr Heinz Dürr (AEG), Mr Hans Dinger (MTU) and Mr Johannes Schäffler (Dornier) – will all gain seats on the Daimler executive board. It is not clear whether this enlargement will happen immediately or step by step.

In another move a "structure committee" is expected to be set up with members including the chiefs of the three acquisitions – probably under the chairmanship of Mr Edzard Reuter, Daimler's finance director and a forceful proponent of the company's diversification strategy.

The supervisory board is in for changes too because of Daimler's diversification. After tomorrow's shareholders meeting Mr Marcus Bierich, Bosch chief executive, and Mr Heribald Närger, finance chief of Siemens, will give up their posts on the supervisory board.

# Strong first half for Club Méditerranée

By Our Financial Staff

STRONG TRADING in the US has helped to lift profits at Club Méditerranée, the French holidays group, by 22½ per cent for the first six months of this year.

Turnover for the half year – ended April 1986 – totalled FFr 2.7bn (\$385m) little changed on the year. But net profits have risen to FFr 82m from the FFr 67m of the first half of last year.

Club Med says profits rose strongly in the US despite the weakness of the dollar.

Club Med Inc, the US unit which is listed on Wall Street, increased net income from FFr 17.9m to FFr 20m. This company handles the group's North American and Asian operations.

But the main driving force behind the stronger group interim result has plainly been a reduction in losses – from FFr 59m to FFr 22.4m – among Club Med's low-season operations.

# Beech Aircraft lays off office staff

By Our Financial Staff

BEECH Aircraft, the loss-making light and business aircraft manufacturer owned by Raytheon of the US, yesterday announced that it was laying off about 100 white-collar employees in an effort to cut costs.

The cuts are to be made at Beech's headquarters at Wichita, Kansas. The company insisted that there would be no cuts at its factories elsewhere in the US. It also said there would be no effect on its current aircraft production.

The Starship, a highly innovative business aircraft with a lightweight graphite airframe and two rear-mounted turboprop engines which will sell at about \$3.5m, is expected to come to the market by the middle of next year.

# Data General unveils restructuring plan

BY PAUL TAYLOR IN NEW YORK

DATA GENERAL, the US computer group which is in the midst of a corporate reorganisation designed to improve its results in the face of sluggish demand, yesterday unveiled a wide-ranging restructuring plan. This includes an expansion of the company's North American sales and engineering operations matched by a further reduction of its administration and support staff.

The actions will mean a \$5m charge in the group's third fiscal quarter which ended yesterday. The Westboro, Massachusetts-based group recently announced an additional \$6m charge in the latest quarter because of the closing of plants in Texas and Hong Kong and job cuts totalling 400. It said the latest action represented the final phases of its corporate restructuring begun a year ago.

The restructuring, which follows sharply lower quarterly earnings over the past 12 months, is designed to "improve worldwide operating efficiency, increase capacity utilisation, lower costs and improve sales."

Data General, which reported a sharp 76 per cent decline in net earnings in its fiscal second quarter ending March 31, said it planned to increase the number of North American sales, systems engineering and research and development jobs by 15 per cent to 20 per cent and to reduce administrative and support jobs by about 500. Data General employs 16,500 people.

# Kredietbank rights issue

By Tim Dickson in Brussels

KREDIETBANK, the third-largest of Belgium's commercial banks, has decided to press ahead with plans to launch a BFr 4bn (\$88.8m) rights issue.

Mr Jan Huyghebaert, chairman, revealed just over two weeks ago that the bank was considering such a move, which comes at a time when confidence in the Brussels stock market appears to be returning after its recent setback.

Kredietbank's issue – a one-for-eight at a price yet to be announced – follows similar capital-raising exercises by its two big rivals, Société Générale de Banque and Banque Bruxelles Lambert, in the last three months.

# INTL. COMPANIES & FINANCE

## Ambassador Hotel board stays silent on government probe

BY CHRIS SHERWELL IN SINGAPORE

THE BOARD of loss-making Ambassador Hotel, a Singapore quoted company under investigation by the Government's fraud squad, was yesterday unable to answer several pointed questions at the company's annual meeting.

According to those present, the questions related to the inquiry into the company's activities by the Commercial Affairs investigation department and to the manner in which certain directors purchased their shares by means of forward contracts.

One of those directors, Dato Abdul Razak, resigned last Friday. Another, Mr Manharlal Gathani, previously gave notice of his resignation effective from November. Neither offered a specific reason for his withdrawal.

The meeting confirmed the appointment of three independent people to the board, one of whom is Mr Gopinath Pillai, the current chief executive officer. The action had been demanded by the Stock Exchange of Singapore 12 days ago.

This followed the heavy qualification of Ambassador's accounts earlier this month and the alleged failure of certain directors to honour fully the deals under which they originally bought into the company.

In the case of Mr Gathani, this caused British stockbrokers James Capel to postpone payment of S$12.7m (US$5.7m) due to Banqua Netionale de Paris. BNP is in turn suing both Mr Gathani and Capel.

## Crédit Suisse affiliates merge

BY JOHN WICKS IN ZURICH

THE two German affiliates of Crédit Suisse, the Zurich bank, will today be merged into the new subsidiary, Schweizerische Kreditanstalt (Deutschland) of Frankfurt.

The merger involves the existing bank of the same name in Fuerth, which together with its Nuremberg branch will be operated as a branch of the Frankfurt company, and CSFB-Effectenbank in Frankfurt. This will retain its name and work as e branch dealing exclusively with German and international issues.

Both the Fuerth operation (previously Grundig Bank) and the former Effectenbank bad been taken over by Crédit Suisse last year.

The Frankfurt bank, which will also have representative offices in Munich and Stuttgart, will be owned 80 per cent by Crédit Suisse and 20 per cent by the Zug-based holding company, Financiere Credit Suisse-First Boston.

Share capital of Schweizerische Kreditanstalt (Deutschland) has been raised from DM 75m ($34m) to DM 125m. As of April 1, 1986, the balance-sheet assets of the Crédit Suisse group in Germany amounted to DM 4.2bn.

## BHF Bank well ahead at five-month stage

BY DAVID BROWN IN FRANKFURT

BERLINER Handels und Frankfurter Bank (BHF), the West German merchant and commercial bank, said yesterday it expected strong results for the current year.

The parent bank's partial operating profits climbed 29.3 per cent to DM 75m ($34m) during the first five months ending May, excluding trading.

It cautioned, however, that this rate of growth would not be maintained for the full year since income from securities and foreign exchange trading as well as interest margins were expected to moderate.

During the first five months, the group posted an interest surplus of DM 110m, up 7.8 per cent from the same period a year earlier on roughly unchanged business volume. Commission income climbed 28.3 per cent to DM 73m.

BHF said the end of May balance sheet stood at DM 13.04bn, up 2.5 per cent from the level at the close of business last year.

## Zurich forward trading move

BY OUR ZURICH CORRESPONDENT

ZURICH Stock Exchange will today begin forward trading in Swiss warrants. Deals will be possible op to three months, the intention being to make the warrants market more flexible and more attractive.

The move follows a massive increase in the volume of warrant-bond issues over the past years.

This meant trading in the warrants themselves was often possible only in a restricted market, a fact which the bourse says occasionally led to distorted prices.

To avoid difficulties arising from insufficient availability, only such warrants will be traded forward as exist in quantities of at least 50,000.











## Wing On faces government investigation

MR NOEL GLEESON, Hong Kong's Registrar General, is reportedly examining the 1985 accounts of Wing On (Holdings) for possible violations of the territory's Companies Ordinance, agencies write.

State-owned Radio Television Hong Kong yesterday quoted Mr Gleeson as saying the Government is studying accounting documents from the group, which is the major shareholder of the troubled Wing On Bank.

The holding company yesterday reported a 1985 net loss of HK$110.4m (US$14.1m), sharply widened from the previous HK$17.1m loss. This included share of the bank's HK$187.3m loss, which had itself increased from HK$80.5m for 1984.

Previously, Wing On Bank had disclosed that loans totalling more than HK$115m were made to directors of the bank or companies in which the directors had substantial stakes.

Under a capital reconstruction Hang Seng Bank, a 62 per cent subsidiary of Hongkong Shanghai Banking Corporation, will inject HK$170m into Wing On Bank and receive a majority stake.

Auditors Coopers and Lybrand have qualified the 1985 accounts of Union Bank of Hong Kong, which reported a net loss of HK$612.17m for 1985 compared with HK$2.81m profits.

The banking commissioner on March 27 ordered Jardine Fleming to take over management control of the bank, which has been plagued by problem loans.

The auditors said that, due to the resignations or absence from Hong Kong of certain directors of the bank, "the present management are unable to warrant that all transactions entered into in the name of the bank and its subsidiaries have been reflected in these accounts."

## Kanthal buys rest of Höganäs

By Our Stockholm Correspondent

KANTHAL, e Swedish metallurgical company, will complete its acquisition of Höganäs, a leading producer of metal powders, by buying the remaining 30 per cent of outstanding stock in a deal worth SKr 367m ($51.4m).

Kanthal began a hostile takeover of Höganäs last year, accumulating 70 per cent of its 2.4m shares.

The Höganäs board yesterday recommended that owners of the outstanding shares should accept Kanthal's offer – SKr 510 for each share or a two-for-one share swap plus SKr 40.

# INTERNATIONAL COMPANIES and FINANCE

## Imabari to acquire Koyo Dockyard

By Yoko Shibata in Tokyo

IMABARI SHIPBUILDING of Japan has agreed the purchase of the financially troubled Koyo Dockyard, in a move which will create the country's third largest shipbuilder in terms of capacity.

Under the agreement, Imabari will purchase all the shares in Koyo and acquire the right of management of the yard based in Mihara, Hiroshima prefecture. It also calls for the establishment of a new company to have it take over Koyo's bad loans, which total about Y50bn ($302.2m).

The new company will receive financial assistance from five banks including Sumitomo Bank and Industrial Bank of Japan.

Koyo has for some time been in financial trouble, mainly arising from heavy interest payments on its debt. Although it has actively engaged in new-buildings, borrowings have barely been reduced.

Koyo reported a Y683m loss on sales of some Y33.4bn for its year to March 1985. In the second half of the following year, difficulties were encountered by two of Koyo's major clients — Island Navigation, part of the C.H. Tung group and Wah Kwong, also of Hong Kong.

The shipbuilder has orders for three 80,000 dwt tankers from Island Navigation and two Panamax-class tankers plus one bulk carrier from Wah Kwong, out of a total of 10 backlog orders which it has.

## Bond sets up trust to buy Castlemaine public houses

BY MARK WESTFIELD IN SYDNEY

BOND CORPORATION of Perth ended months of speculation yesterday when it announced the creation of a A$326m (US$218.6m) trust to buy the 269 licensed public houses it acquired in the A$1.1bn takeover of the Castlemaine Tooheys brewing group.

Mr Alan Bond's company will retain 26 per cent of the new entity, to be called Austotel Trust. A new listed company, Greater Pacific Investments (GPI), will take 49 per cent. Mr Bruce Mathieson, a Melbourne hotel developer, will hold the bulk of the remaining 25 per cent.

Standard Chartered Bank of Australia is providing A$73.5m bridging finance to GPI, controlled by Mr Brian Yuill, the merchant banker, and Ms Brent Potts, the stockbroker. GPI plans soon to float 70 per cent of its holding.

The trust partners have put up A$150m while the balance of the purchase price for the pubs comes from borrowings.

Bond Corporation has been obliged to sell the hotels as part of the requirement to reduce its overall debt by A$500m by June 30. The deadline was set by its new bank, Westpac, which is arranging a A$1.3bn facility to consolidate Bond's debt.

Bond has already raised A$150m by selling Castlemaine's 52 per cent of Britvic, the soft drinks maker, and its Coca-Cola bottling franchises.

The formation of the trust has attracted bitter opposition among the hotel leaseholders in New South Wales and Queensland. In New South Wales, the publicans may have lost amounts of between A$100,000 and A$500,000 in goodwill they paid when taking up their leases.

A total of 87 leaseholders have insert caveats into their titles foreshadowing a dispute if there is any change of ownership.

## Philippines seizes all shares in UCPB

By Samuel Senoren in Manila

A PHILIPPINE Government commission formed by President Corazon Aquino to investigate private companies with links to deposed President Ferdinand Marcos and recover "ill-gotten" wealth yesterday seized all shares in the United Coconut Planters Bank (UCPB) on suspicion that it was owned by Mr Eduardo Cojuangco, a close business associate of Mr Marcos.

The seizure was effected during the annual shareholders' meeting. It came less than a week after Mrs Aquino gave the commission unprecedented powers to install its own directors in companies where it had sequestered shares.

The move yesterday prompted the chairman, Mr Juan Ponce Enrile, who is also Defence Minister, to resign from the bank. Mr Enrile has maintained that while Mr Cojuangco owned shares in the bank, the majority of the interest belonged to coconut farmers.

The row has strained relations between Mr Enrile and the commission, headed by Mr Jovito Salonga, which has been acting rapidly in seizing companies or assets suspected to be owned by Mr Marcos or his associates.

UCPB is the Philippines' fifth largest private commercial bank with total assets of 13.2bn pesos ($642.3m). It is the largest among private local banks in terms of capital, which stands at close to $100m.

Last week the commission sequestered 43 per cent of the shares of the bank which were identified to belong to Mr Cojuangco and his group. Yesterday the remaining shares, which were supposed to be owned by coconut farmers, were also seized pending verification of their ownership.

The takeover of UCPB, and earlier of the San Miguel Corporation, which is the Philippines' largest manufacturing group, has raised some concern among businessmen about the extent of government involvement in business.

Through its sweeping powers, the special commission now controls some 180 companies formerly owned by associates of Mr Marcos, and which have combined annual revenues of about 29bn pesos.

## Ansett in NZ airline venture

BY DAI HAYWARD IN WELLINGTON

ANSETT AIRLINES of Australia will be the leading partner in a new New Zealand domestic airline which will operate between principal cities.

Other partners will be Brierley Investments and the Newmans Group, New Zealand's largest travel and tourist operator.

Ansett will have 50 per cent of the new company, Brierley up to 30 per cent and Newmans up to 22.5 per cent. Approval for its launch has been given by the Commerce Commission.

However, the yet unnamed airline cannot develop further until the passage of government legislation, now before Parliament, which would allow an overseas company to own more than 24 per cent of a New Zealand airline. This is expected around mid-July.

A Brierley official said the company was entering the joint venture because of its investment and profit potential.

In February last year Newmans set up a new small airline operating between the main tourist centres. Late last year it decided to expand but required additional partners to help provide the required capital.

Air New Zealand, the national flag carrier, has strongly opposed any movea to establisb a new domestic airline, and some trade unions have objected to Ansett being allowed to establish a presence in New Zealand's air services.

Last month Ansett and the Cook Islands Government signed an agreement allowing Ansett to fly into New Zealand under the colours and name of the Cook Islands.

At present Newmans uses Canadian-built De Havilland-7 aircraft on its tourist resort routes but a faster aircraft will be needed for the main passenger coutes.

Ansett is run as a joint venture between TNT, the transport group, and Mr Rnpert Murdoch'a News Corporation.

## Elders Resources may sell Kidston mine stake

BY KENNETH MARSTON, MINING EDITOR

ELDERS RESOURCES is considering wbether to seli its 15 per cent interest in Kidston Gold Mines, wbicb runs the big open-ptt Kidston mine in Queensland, currently Australia's biggest gold producer.

Mr Geoff Lord, managing director of the Elders IXL affiliate, said that a number of offers had been received for the Kidston bolding.

A formal proposal to sell the holdiog to a number of buyers is understood to have been made by Bain and Co, the Sydney stockbroker. Elders Resources is believed to have bought its holding of 18.75m shares in Kidston at around A$3.60 per share compared with a current level of about A$6.

A further 15 per cent of Kidston is held by the public while the remaining 70 per cent is in the bands of Canada's Placer Development group. Placer bas put the bolding, together with other Australian and Papua New Gulnea gold interests, into a new subsidiary called Placer Pacific, a public offer of 21.4 per ceot of which is befng made.

Kidston reached full production in April last year and declared its maiden quarterly dividend of 5 cents in October.

## Reliance rights to fund $1.6bn investments

By R. C. Murthy in Bombay

RELIANCE INDUSTRIES, the fast growing Indlan company, plans a rights offer of convertible debentures to finance investments of Rs 20bn ($1.6bn) in the next three years.

The issue, for an as yet unspecified amount, could turn out to be the largest rights issue made in India. Tbe Government's recent decision to ban conversion into equity of apparently non-convertible debentures, which bad halted a previous plan by the Reliance board.

The company bad wanted to convert Rs 2.7bn of existing debentures into equity, in order to reward debenture holders and prepare the ground for larger debenture issues in the near future. Two years ago, it had converted similar debentures valued at Rs 700m into equity, using a clause in the company's capital issue guidelines.

Reliance policy is to reward ahareholders handsomely, and it paid a 50 per cent dividend for 1985. As a result its shares are wildely held among small investors. A football ground was bired for the annual meeting last year, but even this overflowed. The venue for the annual meeting last week was a circus ground.

**Peter Montagnon** on the growth of the Eurocommercial paper market

# Broader base for Europaper sales

SLOWLY BUT surely the Eurocommercial paper market is developing an ability to place large amounts of securities with non-bank investors.

Last week the market received the seal of approval from General Motors Acceptance Corporation (GMAC), the largest single issuer of US commercial paper with more than $30bn outstanding, which activated a new programme in Europe that could eventually exceed $2bn.

This would give a further significant boost to the Eurocommercial paper market, adding to the solid growth in outstanding issues, now estimated to total between $25bn and $30bn.

Precise figures for Eurocommercial paper issues are impossible to obtain as there are no central records of outstanding deals. In the highly competitive atmosphere that pervades the market, dealers are reluctant to talk in any detail about the degree to which programmes under their control have actually been drawn on or the rates achieved by borrowers.

Anecdotal evidence now suggests, however, that the market has moved into a new gear. A year or so ago the Eurocommercial paper market was heavily dependant on the investment demand of banks, aiming to make a trading profit out of falling interest rates, but now many of the leading dealers say they are placing the bulk of the paper that passes through their hands directly with non-bank investors like money market funds, insurance companies and corporate treasury departments.

Even central banks are buyers of Eurocommercial paper, though almost invariably they concentrate on paper issued by sovereign borrowers such as Sweden and Spain. One question raised by the launch of the GMAC programme is whether the availability of large amounts of paper from a top-rated corporate borrower will also tempt them into non-sovereign issues, adding a further broad spectrum of investor demand to the market.

Part of the reason for the development of the non-bank investor base for Eurocommercial paper lies in a switch in issuing practice. Many borrowers have deserted the original tender panel auction system for selling paper in favour of direct dealership relationships with their bankers.

Under the old tender panel system, much of the paper that was issued failed to find its way immediately into firm investor hands because it was bought at auction by banks with no real ability to place it. Sometimes these banks also bid up the price of the paper simply to demonstrate to the borrower concerned their eagerness to do business with him. As a result the emphasis was on trading paper that came onto the market.

Now, however, more and more borrowers have recognised that the dealership method is more efficient. It involves a careful matching of investor demand to paper that is actually available, so that little if any is left on the books of the dealers. That has removed some of the distortions in the secondary market — indeed it has depressed secondary market trading altogether and made life much harder for those dealers who have been unable to develop a sound investor base for the product. At the same time it has forced dealers who wish to retain a strong presence in the market to work all the harder to find investors interested in buying Eurocommercial paper.

One of the largest issuers in this market, Sweden, has cut back on the volume of paper it sells through the tender panel system. Now it has only some $700m outstanding compared with peaks last year of over $1bn. It is obtaining better rates on this paper—of around 10 basis points below the reference London interbank bid rate for Eurodollar deposits (Libid) than it used to, but still more importantly it is selling substantial additional amounts at even better rates.

This is not to say that the Eurocommercial paper market has now reached full maturity. In size it is still dwarfed by its big $310bn brother on the other side of the Atlantic. By comparison with other financial markets such as the Eurobond and Certificate of Deposit market it is still also tiny. And bankers say they still face problems in finding sufficient investors to buy all the paper that is potentially on offer.

This has given rise to one phenomenon that some bankers find distinctly unhealthy—a flowback of paper into the US market. Though this is not always the case, Eurocommercial paper, whose pricing structure is heavily influenced by the reference Libid rate, often sells at a slight yield premium to the US market. That means that a US investment bank with a large network of investor customers in the US can succumb to the temptation to sell the product to existing US investors rather than go to the trouble of finding new buyers offshore.

Some bankers argue that this creates an unpleasant conflict of interest since it potentially undermines the rating structure of the same borrower's paper in the US market. Others claim that this is simply a manifestation of the fumbling way in which money markets around the world are groping towards the concept of "globalisation." National barriers between markets are breaking down and ultimately the discrepancy should be eliminated by arbitrage, they say, though the current experience of the commercial paper market suggests that this is not a smooth process.

In any case, for all its rapid growth over the past two years, the Eurocommercial paper market is still very much in the formative stage. It may be a low cost business in terms of the demands that it makes on the capital of a dealing house, but it is also a low margin business and that means that high volume is also required to sustain it. Against that background the fresh growth in outstanding issues is only a small step forward, but the encouraging thing for many bankers is that it does now seem to point to a positive way ahead.

**Cadbury Schweppes, the UK beverage and food concern, is to launch a $200m commercial paper programme in the Euromarkets as part of its efforts to diversify sources of short-term funds.**

**The company said yesterday it would operate the programme in parallel with its existing US commercial paper programme launched in 1982. It said it expected to raise funds more cheaply in the Euromarkets for longer-dated maturities**

**Dealers on the programme, which is to be rated by the US credit rating agencies Moody's and Standard & Poor's, will be Merrill Lynch, Swiss Bank Corporation and SG Warburg.**

**Separately, Chase Manhattan said it will lead-manage and act as dealer on a $200m commercial paper programme for Iberduero, the Spanish electric utility.**

**Iberduero and Chase have been talking about a loan facility for several weeks, but Chase said yesterday that syndication of the facility, which will back up commercial paper issues, will probably not begin until the autumn.**

# PNC pays $700m for Kentucky bank

BY WILLIAM HALL IN NEW YORK

THE Pittsburgh-based PNC Financial Corporation, one of the most profitable and fastest-growing regional banks in the US, yesterday announced a $700m takeover of Citizens Fidelity Corporation, the biggest banking group in Kentucky.

PNC Financial has successfully acquired several banks in Pennsylvania enabling it to become the second biggest bank holding company in the state.

The deal underlines the continued high premium being placed on well-managed regional banking groups. Based on last Friday's PNC share price of $45.63, the transaction values Citizens Fidelity at 2.6 times fully diluted book value and 14 times estimated fully diluted earnings for 1986.

PNC is exchanging each outstanding share of Citizens Fidelity for 0.77 of one PNC share. Citizens Fidelity shares rose by $1 to $32½ in early trading yesterday and PNC shares fell by $1 to $44½.

PNC Financial has assets of $18.9bn and Citizens Fidelity $4bn. The combined company will rank 18th in terms of assets. Both banks are well capitalised and profitable and PNC disclosed yesterday that the new group would rank top among the 25 largest US banks based on an estimated average return on assets of 1.17 per cent, and would rank second based on its average 18.23 per cent return on equity.



# Simex plans US T-bond futures contract

By Chris Sherwell in Singapore and Alexander Nicoll

**THE SINGAPORE International Monetary Exchange (Simex) is to start trading a futures contract in US Treasury bonds from October. The decision continues a rapid expansion beyond the four contracts already being traded on the island state's 21-month-old futures exchange.**

**A new sterling contract is being introduced today. A stock index futures contract based on Japan's Nikkei 225 index is due to start trading in September. Swiss franc futures and a contract based on a local stock index are also being planned.**

**According to Simex, the introduction of a long-term US interest rate contract would complement the existing three-month Eurodollar time deposits contract. With no such contract currently available in Asian time zones, Simex hopes to capitalise on the fact that Asian investment and trading activities in the underlying bonds has increased dramatically over the past two years.**

**The decision marks a departure for Simex, which has owed a significant amount of its still tentative growth to a close link with the Chicago Mercantile Exchange. All Simex contracts are fungible with identical contracts traded on the CME, meaning that positions opened on one exchange can be closed later in the day on the other, with only one margin requirement.**

**US T-bond futures, however, are traded by the CME's rival, the Chicago Board of Trade, where they are the world's most active future in numbers of contracts traded.**

**The Simex move is also a challenge to the Sydney Futures Exchange, which plans to launch a US T-bond contract indentical to and fungible with that traded on the London International Financial Futures Exchange Liffe).**

**Hot competition to become the dominant marketplace in T-bond futures in the Asian time-zone could be the result — particularly if Tokyo also enters the fray. Tokyo already has a very active market in US Treasury bonds themselves and a rapidly growing market in Japanese government bond futures.**

**Simex says the specification of the new contract will be similar to comparable contracts traded at the Chicago Board of Trade and Liffe.**

**A 17-person external advisory board has been set up for the development and launching of the contract. Its members are drawn from US and Japanese institutions which are significant players in the US government securities market.**

**Simex opened in September 1984 with a Eurodollar interest rate contract, a D-Mark currency contract and a gold futures contract. These were supplemented two months later with a yen currency futures contract.**

# Gold mining securities fund planned

A BANQUE INDOSUEZ subsidiary in Hong Kong is to launch a fund in October that would invest in gold mining securities traded in world centres such as Australia, Canada and the US, Reuter reports.

Indosuez Asia Investment Services said it had obtained approval from the Office of the Securities Commissioner to set up the US$10m fund.

The fund hopes to benefit from any possible rise in precious metal prices due to continuing tension in South Africa. It will also invest in other precious metals-linked stocks but is unlikely to invest in South African-based shares.

# HK share issue heavily oversubscribed

A SHARE issue by Cafe de Coral Group, a 32-restaurant Hong Kong fast-food chain, was 6.6 times oversubscribed, according to the company's financial adviser, AP-DJ reports from Hong Kong.

Mr David Stileman, manager of corporate finance for Standard Chartered Asia, said the group received applications for a total of 656m shares. At the offer price of HK$1.18 a share, more than HK$774m (US$99.1m) was put up for the issue.

Only 40m of the company's 100m shares will be offered to the public. The remainder will be held by the 23 existing shareholders.

Mr Stileman said Standard Chartered would announce allocations tomorrow. Unofficial "grey market" prices were being quoted at up to HK$1.30 a share.

# American Express Bank FRN finds good response

BY CLARE PEARSON

NEW ISSUE managers concentrated on equity-related and floating-rate issues yesterday. Industrial Bank of Japan was the only borrower to tap the straight fixed-rate dollar sector, *despite a strongly improving* tone in New York.

Shearson Lehman launched a $100m floating-rate note issue (FRN) for its fellow subsidiary of American Express, American Express Bank. Dealers, who view American Express as a high quality investment, responded well to the 12-year bond, which traded around its par issue price.

The bond is non-callable for the first five years. Interest is payable at ⅛ per cent over three month London interbank offered rate (Libor). Fees total 70 *basis points.*

Elsewhere in the FRN sector, a recent 10-year deal for Belgium, which pays interest at the level of London interbank bid rate (Libor), also traded at its issue price.

IBJ International led the $150m fixed-rate issue for its parent Industrial Bank of Japan. The seven-year bond was priced with a coupon of 8 per cent and issued at 101½. This gave a margin over US Treasury bond yields at issue of 70 basis points.

Other houses concentrated on non-dollar currencies. Goldman Sachs launched an Ecu deal for US Steel. The issue will be swapped into fixed-rate dollars. The issue amount was set at Ecu 49.45m, and maturity at 9 years.

The bond pays coupons of 8 per cent and is priced at 100½. To some dealers this looked tight for long-term debt for a company in the steel sector. Demand in the Ecu market is thin and concentrated at the shorter maturities, dealers say.

In contrast to US Steel's issue, dealers were enthusiastic about a new equity-warrants bond for Pargesa, despite its 10-year maturity. Pargesa, a holding company for financial institutions, is based in Geneva, and its name should have strong appeal to Continental investors. Banque Internationale a Luxembourg, in which Pargesa has a shareholding, led the issue.

The Ecu 80m bond pays 4 per cent coupons. It carries five-year warrants into Pargesa shares. Other terms, including issue price, will be fixed tomorrow, but the warrant exercise premium should be 4 per cent above the average share price over the last few days. The deal may be increased to Ecu 100m.

Credit Commercial de France launched a C$100m bond for *Newfoundland. Although its* final maturity is 15 years, there are call and put options after 10 years. At this point the 10 per cent coupon may also be refixed. The issue price is par. Dominion Securities Pitfield co-led the deal.

Credit Commercial de France was also active in the French franc sector, co-leading a FFr 750m issue for Michelin. Lazard Frères was book-runner. The seven-year bond pays coupons of 8¼ per cent and is priced at par.

*Denmark itself tapped* the Danish krone market with a DKr 500m bond. The deal was led by Privathanken. The five-year bond matures in 1991 and pays coupons of 8⅞ per cent. Issue price was 99¾.

Dealers said that the Danish krone market has improved recently along with New York, although recent issues are not performing well because of their long maturities. Since the new deal for Denmark has only a five-year life, they were hopeful that it would meet demand.

In the D-Mark market, prices of high quality issues improved slightly as New York strengthened. The announcement of a

Deutsche Bank tapped strong demand for floating-rate paper with a DM 300m FRN for Credit Foncier de France. The 10-year bond pays 5 *basis points over* the mean of six-month London interbank bid and offered rates and has a minimum coupon of 3 per cent. It is callable in 1991 at par.

The bond was quoted at 100.12 on the bid side, against a 100.30 issue price. Fees totalled 20 basis points.

Prices in the Swiss franc market picked up slightly, although turnover was low. An equity-linked issue for Southmark Corporation traded for the first time at 98, versus a par issue price.

There was one private placement. This was an equity warrants bond for Kitano Construction. The SFr 35m-40m bond matures in five years. Its coupon was indicated at 1¼ per cent and the exercise premium on the warrants was set at 2½ per cent. Union Bank of Switzerland led the deal.

Yamaichi International brought an equity-related bond for Nagoya Railroad. The issue was of $130m and matures in five years. The coupon was indicated at 2½ per cent. Pricing will take place on July 7. The bond was quoted at a discount to issue price of 1 per cent yesterday.

Late in the day Goldman Sachs launched a bond for Yukong, the Korean oil refining and petrochemicals company. The 15-year bond is convertible into shares of the company, but only after the Korean authorities have carried out expected legislation to allow foreign holdings of Korean shares.

The coupon was indicated at 3 per cent and the price at par. The conversion premium is expected to be 55 per cent.

## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on June 30

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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## INTL. COMPANIES & FINANCE

**Adrian Dicks** on an ambitious Finnish diversification programme

# Nokia boosts electronics side

NOKIA, FINLAND'S largest private sector company and largest industrial employer, is pushing aggressively outwards from its traditional activities and from its traditional financial base in one of Europe's smaller economies.

The company's objectives are nothing if not bold. It has set itself the goal of transforming a diverse spread of industrial interests into the financial springboard it needs to turn itself into a world-class electronics group. To this end, it is investing FM 1.5bn ($291m)—about 13.5 per cent of last year's sales—in the current year, about one-third of it in research and development activities.

It is also adopting what is by Finnish standards a radical overhaul of its funding and financial structure, seeking a higher profile in the international capital markets and setting in motion a policy of tapping them regularly.

Nokia's origins lie in forest products, which it first started turning out in 1865 in the small, inland town from which it took its name. As recently as 1975, when the group's total sales stood at around FM 2bn—they are forecast to top FM 12bn in 1986—paper-related and chemical products still accounted for well over half. In the first four months of this year, the same main segment of Nokia's business accounted for only 22 per cent of its sales of FM 3.6bn.

Forest products have become concentrated into a single main area, soft tissue paper, of which the company is one of the biggest producers in Europe with manufacturing subsidiaries in Britain and several other countries. Last year the group discontinued its own pulp production as part of its effort to keep costs under control in an industry where prices have been eroded by intensified competition—a process that is likely to be taken still further by Scott Paper's recent series of moves to tighten its grip on its extensive European operations.

For all that, however, paper remains Nokia's greatest single source of profits, accounting for 32.2 per cent of 1985's full-year profit.

In his interim report Mr Kari Kairamo, Nokia's chairman, said that apart from lower interest rates and other financial items, earnings growth during the period resulted largely from the favourable development of profits within the electronics sector.

This trend coincides neatly with Nokia's recent decision, effective from June 1, to restructure its rapidly growing electronics interests into three separate divisions reflecting its principal product lines—Nokia Information Systems, Nokia Telecommunications and Nokia-Mobira, which embraces the group's cellular mobile radio telephone interests.

From its origins during the late 1960s as an offshoot of Nokia's large (and still solidly profitable) cable and cable machinery interests, the electronics side of the group has grown at astonishing speed, due in part to several substantial acquisitions, to become the biggest single sector with some 41 per cent of total sales during the first four months.

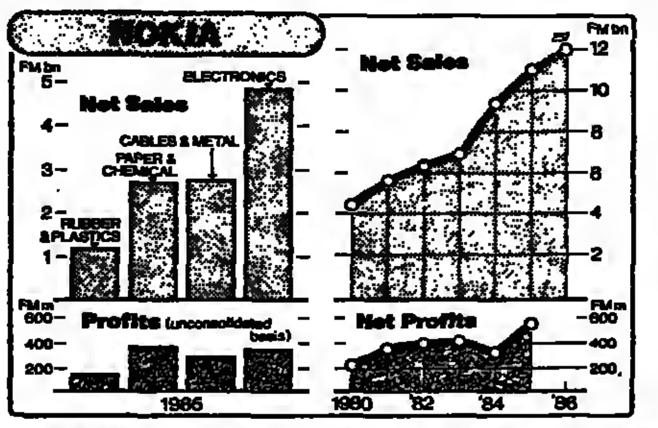
On the consumer electronics side, Nokia controls the Salora-Luxor group, which assembles some 600,000 television sets a year using bought-in Japanese tubes, and also makes a variety of electrical and electronic components and broadcasting equipment.

In information systems, Nokia is working flat out to consolidate an early decision to specialise on equipment and software for banks—an area in which it claims market leadership in Scandinavia. A powerful second line of business is in the sale of information systems to retailers and offices.

Mr Staffan Simberg, general manager for international operations of Nokia Information Systems, says he considers it an advantage to have to base operations on the Nordic area, which the company regards as its home market.

"Within the work station and terminal market, you can position yourself where you wish. We aim for the upper end, with all the design and functional advantages that come from that," Mr Simberg says. Although the requirements of individual banks operating in different national markets may vary widely, he is confident that the experience of having to change the specifications and capabilities of its products will serve Nokia well as it prepares to launch itself into markets beyond the Nordic area.

The Finns are under no illusion that expansion into other Western European markets is going to be as easy as the relatively familiar Nordic countries. Mr Kalle Isokallio, the newly-appointed head of Nokia Information Systems, points out that "in every country you are going to find a strong domestic player, frequently with a strong relationship to one or other of the big banks to which you want to sell."




Nokia's strategy for attempting to break into national markets is likely to differ from country to country, but Mr Isokallio indicates that a common theme will be to seek co-operation deals of varying types with some of the powerful domestic players.

"Life has never been easy for us," says Mr Isokallio. "If you go by any of the standard textbooks on management, it does not make any sense to attempt to build computers in Finland."

"We prefer to think in terms of economies of scope, rather than of scale," says Mr Simberg, "so that although most of our manufacturing takes place in Finland, manufacturing labour costs are not a high part of the total. The key area where we believe we can do well is software productivity."

During the next six to 12 months, NIS, Nokia Telecommunications and Nokia-Mobira are all likely to be looking hard for ways in which to project what the company sees as its high technological skills onto the world stage in such a way as to make up for its acknowledged lack of marketing and distribution power. Knowhow or licensing deals, joint ventures and other forms of partnership are all on the cards.

If, and when, such opportunities come along, Nokia intends to be in a position to move fast, and to this end it has been working hard on building up its financial strength and polishing its financial image. Mr Jorma Ollila, the group's finance director, has set the company what are, by Finnish standards, radical goals of strengthening the balance sheet, improving the flow and quality of published financial information and moving over to an active dividend policy.

Nokia's present debt to equity ratio of 1.7 to 1 is a sound one by comparison to other big Finnish companies. "But we have to compare ourselves not to other Finnish companies, but to Philips, Ericsson, Motorola or Siemens — they are our competitors," Mr Ollila says. "A company with a weak capital structure cannot take the kinds of risk we feel we must be able to accept if we are to respond to the opportunities that exist in electronics."

The group is expected to net around FM 360m from the one-for-four rights issue which formally closed yesterday—hard on the heels of a $60m private placement to foreign, mainly US, investors. Nokia has now reached its full permitted allowance of 20 per cent of its shares in the hands of non-Finnish investors, and in common with other large Finnish companies is waiting impatiently for the expected legislative change which will allow up to 40 per cent of a company's capital to be in the form of the "free" shares which foreigners may buy.

Mr Ollila is also determined that Nokia shareholders should benefit more directly from the company's success, and says that the increase in dividend paid on the 1985 results to FM 14 from FM 11 per FM 100 nominal share will be followed by a further boost as soon as performance justifies it.

For the time being, Mr Ollila says he has no pressing need for extra funds for any specific purpose. "The financial strategy has to support the business strategy. That means my job is not to follow 'deal-of-the-day' fashions but to find the money to back up our ambitions."

# Mercury Intl companies report mixed results

Mercury International Group, the merchant banking and securities group formed by S. G. Werburg, Akroyd & Smithers and Rowe & Pitman and Mullens last April, made combined profits of £59.3m after tax in their lotost trading years, an increase of 34.5 per cent.

In a pro-forma statement of their combined figures the group, one of the largest alliances to have been formed in the City revolution, also disclosed £441.8m of capital resources. A breakdown of the group's results showed a wide variation in performance among its members.

Mercury Securities, the S. G. Warburg morchant banking arm, reported profits of £41.5m after taxation and transfers to inner reserves for the yoar ending March 31. This was an increase of 47 per cent ovor the previous year. The improvement, according to Mr David Scholey, the chairman, came from all tho group's main activities: corporate finance, banking, trading and fund management.

Mr David Scholey, chairman of Mercury International Group

Not included in the profits were £17.6m of oxtraordinary earnings, resulting mainly from the salo of Mercury's stake in Stewart Wrightson, the insurance broking company.

Mercury will he paying an interim dividend in lieu of a final of 21p, up from 16p.

Akroyd & Smithers, the jobhing firm, reported lowor profits of £5.3m, a fall from £6m the year before. Tho rosults were for the 55 weeks ending on April 11 1986. The drop was blamed on difficult market conditions, especailly early this yeer when interest rates rose sharply. The firm declared an unchanged interim dividend of 4p.

Rowe & Pitman and Mullens & Co, the two stockbroking firms, nearly doubled their profits to £14m from £7.1m thanks to the high level nf activity in the securities markets end corporate finance. Tho group's international equiy business also produced encouraging results despite high start-up costs.

The three members of the group are now merging their oporations in order to bo ahle to operate as integrated broker dealers after the Big Bang on October 27. According to Mr Scholey, integration was well on schodule.

Mercury International Group also announced further proposals concerning the issue of shares in connection with the morger of tho group, including a one-for-one capitalisation issue to improve the liquidity of ordinary shares in the market.

See Lex

## Red faces at Lloyds over lost applications

By David Lascelles

MANY successful bidders in last week's £154m tender offer for Morgan Grenfell stock will receive fewer shares than they expected because of a mix-up at Lloyds Bank, which counted the applications.

To its embarrassment, the clearing bank yesterday discovered applications for nearly 19m shares at or above the striking price of 500p, which had gone astray during the official count last Friday. This was equivalent to about 15 per cent of the bids accepted. The discovery forced Morgan to announce a change in the basis of allocation to take account of the fact that the issue was 4.7 times oversubscribed instead of only 4.1 times.

It was the first time in many City people's memory that a miscount of this order had been made. Lloyds Bank hlamed it on human error, and said: "We very much regret the situation and apologise to all concerned." Tho applications were apparently pushed to one side by mistake.

Morgan tried to put a cheerful face on tho occurrence, claiming it showed that the offer had been even more successful than they had thought. It also said the extra applications would not have altered the striking price, but the merchant bank was plainly much annoyed by Lloyds' slip up.

Fortunately, the discovery was mado before the commencement nf trading in Morgan shares, which will go ahead as planned on Thursday.

Under the revised basis of allocation, investors who applied for 1,000 to 95,000 shares will get 21 per cent of what they asked far instead of 25 per cent, with a minimum of 250. Those who wanted more than 95,000 will get 20 per cent, down from 22.5 per cent.

## Rotaprint losses double to £1.3m

Rotaprint, a London-based manufacturer of printing equipment, almost doubled its pre-tax losses from £652,000 to £1.29m in the year to March 29, 1986. No dividend is again payable — the last payment was 0.1p in November 1983. The loss per 5p share increased from 3.93p to 6.47p.

The group's proposals for re-organisation, which were published at the end of April, provided details of the pre-tax loss for the year, estimated at £1.17m. Subsequently, certain other adjustments have been made, including principally a provision of £120,000 in respect of stock held in the US.

Sales during the year were down from £15.54m to £14.91m.

## Dixons says Woolworth bid 'likely to be close'

BY CHARLES BATCHELOR

Dixons acknowledged yestorday that the outcome of its £1.8bn takeover bid for Woolworth Holdings was likely to be close following last Friday's announcement that Robert Fleming Investment Management would not be accepting tho Dixons' offer.

Dixons took the unusual step of announcing in advance that it was waiving ono condition of its bid, that it should be accepted by 90 per cent of Woolworth's shareholders. The bid would now be declared unconditional if it won the backing of 50 per cent of Woolworth's shares, it said.

At 50 per cent Dixons would still have control of Woolworth though below 90 per cent a bidder cannot buy in any outstanding shares without going through a complex schomo of arrangement.

S. G. Warburg, Dixons' merchant bank, said the decision to announce in advance that the bid would go unconditional at the 50 per cent level of acceptances had been taken "to concentrate shareholders' minds."

Dixons warned Woolworth shareholders that they stood to lose a lot of money if the bid failed and the share price fell from the bid level of around £8 to £6.

Woolworth said it too believed the outcome of the bid would be close, but it was "quietly confident." Woolworth's advisers are believed to have bought more Woolworth shares yesterday as the share price fell a further 35p to 695p, 102p below the value of Dixons' part cash offer.

David Churchill on a fashion group's venture into mail order

# Grattan is the Next move

THE MAIL order business emerged yesterday as the next venture for Next, the High Street fashion chain which has been one of the leading retail successes of the 1980s with its emphasis on co-ordinated fashions for the working man.

Next, formerly known as J. Hepworth, yesterday made an agreed bid for the Grattan mail order company in a deal worth nearly £300m.

The move creates a retail grouping of nearly 500 shops, some 500,000 mail order agents, and total sales of £412m.

Although still a relatively small-scele operation — Marks and Spencer, for example, has sales of £3.7bn — Next's move into mail order promises to shake-up the cataloguo mail order industry in much the same way as its fashion shops have radically altered the shape of High Street retailing so far this decade.

Mr George Davies, chief executive of Next who will assumo a similar role for the morged group, yesterday promised a whole new rango of cataloguo operations to complement hoth the existing Grattan business and tho Next retail outlots.

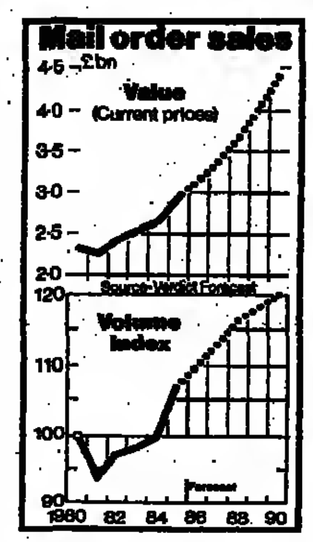
Tbo new catalogues will be aimed at specialist markets — such as large men or sbort women — who can be identified from both the Grattan and Next databases.

The agreed merger is not without its logic. For Next ıt provides an opportunity to build ou its formula of concpet retailing—already developed with Next for Mon and Next Interiors—in a sector which does not directly conflict with existing retail operations.

For Grattan, the move gives it not only tho injection of tho Next flair and style but also tho opportunity to develop specialist mail order cataloguo ventures.

It was a similar philosophy which prompted another mail order operator, Freemans, recently to huy tho Werebouse fashion stores operatiou: the argument being tbet wbat designer Mr Jeff Banks can do for Warehouse's High Street customers can also be offered to those living away from City centres.

Mail order in the 1980s—which now accounts for annual sales of almost £3bn, has beon one of the great disappointments of the retail sector after its go-go growth in the 1970s. Its sales growth has underperformed tho overall buoyant nlcture for retailing in general in the past few years—creating problems for all the major operators.




Handshake at the merger press conference: chief executives Mr David Jones (left) of Grattan and Mr George Davies of Next

The main cause of this slump in sales in tho oarly 1980s was primarily the recession. Tho hulk of cataoguo mail order customers (as contrasted with the direct response mail ordor business foateured in the Sunday supplemonts) are from the C2DE socio-economic classes.

This arose from the way in which mail order developed initially as a norther phenomenon. It offered not only tho opportunity for agents to earn extra income from hnmo through commission but also—more importantly—easy credit facilities for consumers who had little other access to credit.

Although the demographic profile of mail ordor bas changed—it has spread to the South as well as moved upmarket—it was the northern-based working-class customors who were badly hit by the recession.

At the same time, these custnmers were also ahle to more easily obtain credit from other sources as the stores and credit card companies started wooing new customers. The key sales advantage of mail order was rapidly being eroded.

Grattan was particularly badly hit by these trends, reaching its low-point with an interim £864,000 loss in the autumn of 1983. It saw its market share fall from 10.9 per cent in 1980 to 8.7 per cent in 1982.

Grattan recovered, however, with the injection of a new management team beaded by David Jones (who becomes deputy chief executive of tho new group) and a tightening of its nperating systoms with effort concentrated on higher sales and profitability per agent and direct customer rather than simply chasing value and volume salos growth.

As part of its new marketing strategy, Grattan bas gone further into specialist catalogues than its rivals, with catalogues such as Look Again—aimed et 18 to 25-year-olds—and Streets of London, targeted at the typical Next customer aimed between 25 and 45. It is from these specialist catalogues that much of the growth in mail order is forecast to come.

Ironically, when Grattan was first beginning to havo its market problems in the oarly 1980s, Next was little more than a figment of tbe imagination.

Hepworths in 1981-82 was a rathor dowdy menswear retailor which already was feeling the pressure from a rejuvenated Burton group under Sir Ralph Halpern. Hepworth's acquired an ailing womenswear chain, Kendalls, and recruited Mr Devies to run it. The rest is history.

Mr Davies, who hed been running a company selling co-ordineted womonswear nn the party-plan basis to women at home, recalls that "there seemed an obvious gap to provide co-ordinated fashion clothes in a few colours to women who wanted to shop somewhere between Marks and Sponcer and Jaeger."

While fashion retailing in the pajst decade had largely been aimed at the 18 to 25 age groups, Next wont after the 25 to 45 working woman who had the greatest disposable income.

The concept rapidly caught on and Next not only developed some 220 womenswear shops, but also converted former Hepworth's menswear shops into a new Next for Mon chain and last year devoloped a furniture and furnishings operation called Next Interiors.

But even bofer the Grattan deal, Mr Davies was anxious not to stand still. Worried by the fact that the Next womenswear nperatinn was hecoming a little too popular—"we were losing our exclusivity," ho admits—the chain is being re-launched next month.

About balf the shops will be converted into Noxt Classics — offoring a more up-market range for tho working woman — whilo the othor balf will be called Noxt Two. This chain will sell less formal, casual clothes.

This sogmenting of tho existing market for Next is aimed, says Mr Davies, at onsuring that "the nriginal concept remains undiluted."

He maintained yesterday, moreovor, that the new Next cataloguos would sell different merchandise tn different markets and would in no way impair tho Noxt namo. "We want to develop tho strengths of our concept, not dostroy it," he said.

Yet this could prove the biggest weakness in the Grattan venture, once the euphoria of the merger has died down. Too much of a good thing could eventually loavo Mr George Devies himself asking the question, if the catalngues do not work ont as plannod, of where next for Next?



## Panel forces Whitecroft retraction

By Lionel Barber

Whitecroft, a mini-conglomerate which has launched a £25m all-share bid for Eleco Holdings, another similar conglomerate, has withdrawn statements regarding current trading efter representations from the Takeover Panel.

The Panel told Whitecroft that it interpreted several statements from Whitecroft as amounting to e profits forecast for tho current year ending March, 1987. The statements oither had to be reported on or withdrawn, tho Panel said.

Whitecroft had made optimistic noises about trading in its lighting, building supplies and textiles divisions, suggesting profits would be ahead of the previous year but it did not refer to its property development division, parent company costs or group interest charges. No forecast was therefore intended, Whitecroft said.

Whitecroft's hid last week was accompanied by an annoucement that its pre-tax profit fell from £7.46m to £7.26m in the year ending last March on turnover which rose from £101.7m to £104m.

Whitecroft is offering three of its own shares for every five of Eleco. Whitecroft's shares closed last night at 227p, down 4p on the day, valuing Eleco, unchanged at 152p, at 136p per share.

## LCP buying property group

By David Goodhart

LCP Holdings, tho investment and retailing holding company, has acquired E. F. Smith of Birmingham for £5m dependent on clearance from the Inland Revenue.

Smith operates a trading estate on a 112-acre site near Lichfield, 78 acres of farmland currently let to British Coal, and two factory sites in Bristol. These properties have been valued at about £4m.

Smith made a pre-tax profit for the year to the end of November 1985 of £678,000. Its net assets are about £5.1m of which £1.9m is cash and quoted investments.

LCP saws its 1985-86 trading profits improve by 22 per cent to £12.6m on turnover of £183m. The share price rose 1p to close at 114p.



## Further expansion by WPP

BY CHARLES BATCHELOR

WPP Group, the fast-growing sales promotion group headod by former Saatchi & Saetchi finance director Mr Martin Sorrell and stockbroker Mr Preston Rabl is paying np to £10m for Mando Photo (UK), another sales promotion specialist.

The agreed purchase comes less than three months after WPP won control of Promotions House, a USM-quoted company, with an £8m takeover bid which was strongly resisted.

Mando moved from a loss of £31,000 on turnover of £679,000 in tho year ended March 1983 to a pre-tax profit of £448,000 on sales of £3.15m in the year ended March 1986. At that date it had not tangihlo assets of £347,000, including a net cash balance of £391,000.

WPP will make an initial cash paymont of £2m and further payments in cash and shares, up to a maximum of £10m, based nn a multiplo of 10 times average post-tax profits for tho three yoars ending March 1992. If Mando continues to grow at 20 por cont a year the total payment would be about £7m.

Mando was founded in 1977 by its joint mananging directors Mr Cliff Ash, 48, and Mr Alan Selhy, 40. They will join the board of Rasor Communications, WPP's services activities subsidiary.

This doal will give WPP sales promotion turnovor of about £7m. The fragmented nature of tho business offers significant opportunities for acquisition, it said.

WPP's shares wero unchanged at 505p yesterday.

## UK COMPANY NEWS

# FNFC resumes interims as profits surge by £4m

WITH ITS main activities showing strong advances First National Finance Corporation was able to lift its profits from £9.12m to £13.37m pre-tax in the first six months of the 1985-1986 year.

Interims are being resumed with a 2.25p payment.

The second half will include figures of TCB, a specialist provider of short and medium-term secured lending to corporate customers. In all, and with assets now in excess of £72m, the directors look forward to continued profits growth.

They said the first six months (to April 30 1986) lived up to their expectations and that earnings showed a very satisfactory increase over the corresponding six months of the previous year.

The results of the lending and property division (pre-tax they rose from £2.73m to £4.23m) included profits from property sales which were variable in their timing—this factor, in particular, enhanced profits in the second six months of the 1984-1985 year.

Profits of the consumer credit division expanded from £8.69m to £11.5m. Losses at the First National Securities (Holdings) subsidiary were marginally higher at £2.36m (£2.3m).

Group turnover for the first six months, excluding banking, showed a decline of £1.42m at £11.77m—FNFC, one of the biggest casualties of the fringe banking crisis of the early 1970s, is principally engaged in consumer credit and property lending.

Profits, after taking account of ACT written off amounting to £1.24m (nil), worked through at £12.13m, compared with £9.12m. Earnings totalled 9.6p (7.3p) basic and 9p (6.9p) fully diluted.

TCB was purchased from Peninsular and Oriental Steam Navigation for £47.5m in April of this year. Its profits for the four months to end-April (£2.87m) were not included but treated as pre-acquisition. The group called on shareholders for £48m in March to fund the TCB purchase.

For the 1984-85 year as a whole, the group raised its profits by 25 per cent to a record £22.07m and returned to the dividend list for the first time since its rescue in the wake of the 1974 secondary banking crisis.

### ● comment

Freed from the constraints of the Bank of England's lifeboat, First National Finance has continned to steam ahead with a near 50 per cent growth in pre-tax profits. In this year's first half the main impetus has again come from the consumer credit division, where volumas have been buoyed by strong credit demand and declining interest rates. Lumpy property sales may favour this year's second half less than last year's, but the acquisition of TCB in March should enable the group to sustain the growth rate for the full year and produce around £32m. Dilution for the rights issue which funded the acquisition brings the prospective p/e ratio up to 10½ at yesterday's close of 208p. The shares have given investors a good run for their money and seem likely to take a breather now: bid speculation has fizzled out, corporation tax is visible on the horizon, and stories of consumers over-extending themselves are beginning to make the stock unattractive for those of a nervous disposition.

# Compsoft in the red and passes dividend

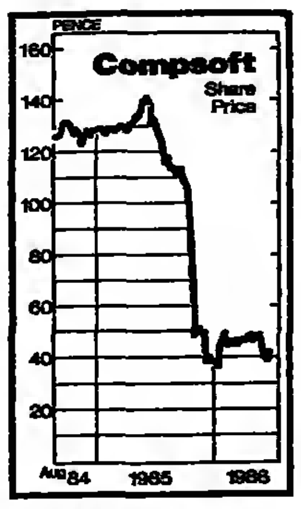
Compsoft Holdings ran up a loss of £50,000 in the year to March 31 1986 and is passing the dividend on its 5p ordinary shares.

The previous year it made £761,000 at the pre-tax level and paid a dividend of 2p net.

The results of the past year were adversely affected by a £305,000 rise in distribution costs and an advance of £332,000 in administration costs to £1.07m.

The directors said yesterday that a slow-down in growth of the micro-computer market caused a marginal drop in turnover from £2.4m to £2.2m.

At the beginning of the year they had expected the market




to "carry on growing at the rate they had grown accustomed to." Heavy spending on stock, marketing and general overheads was designed for the expected increase in sales.

The balance sheet remains strong with net assets of £1.11m and the borrowing requirement is lower than in the previous year.

Group objectives for 1986-87 are to increase the share of existing markets, to develop and acquire new products and new markets and to maintain strict controls on expenditure.

The directors said they were convinced that the continental European market place was of great importance and would become a major contributor to profits.

They were also convinced that Comppsoft, a designer, developer and producer of computer software, would return to profitability in the coming year.

The group obtained a USM qnote via a minimum tender of 120p per share in 1984. Yesterday, they closer 12p down at 31p.

### ● comment

The chequered history of bi-tech companies means that investors can be forgiven for racing for the exit on news of pre-tax losses an da passed dividend. Compsoft appears to have let *its costs* get *out of hand* whilst counting on its early turnover growth to continue. Sadly, the European companies have as yet failed to make a contribution and sales in both Europe and the UK were down in the second half. Doubts linger about Compsoft's ability to add new products to what looks *like* a mature range. However, there is some good news — the balance sheet looks solid and the new management shows signs of taking a firmer grip on overheads. A recovery of pre-tax profits to £500,000 would, assuming a tax charge of 35 per cent, puts the shares on a p/e of 7 which might attract devotees of recovery stocks.

# TV South doubled to £6.5m

*IN SPITE OF sharp rises in* administration expenses, Channel 4 subscription and Exchequer levey Television South raised its first half profits from £3.4m to £6.5m at the pre-tax level.

Furthermore, at the beginning of the second six months advertising revenues were continuing to increase and prospects remained "excellent."

Negotiations to set up the ITV Superchannel (the Pan-European cable TV channel), in which TV South will make a significant investment, were continuing satisfactorily.

The directors said yesterday that they were confident the group would be able to meet the challenges the future of broadcasting was likely to present and added that they would continue to safeguard the best interest of shareholders.

The six months to end-April 1986 saw gronp turnover expand from £49.8m to £64.7m. Programme transmission costs accounted for £37.2m (£28.9m) and left gross profits at £27.5m, compared with a previous £20.9m.

Other operating income added £1.1m (£0.9m) and interest income £1m (£1.1m). Administration expenses rose by £0.9m to £5.4m, Channel 4 subscription by £1m to £9.3m, IBA rental by £0.4m to £8.4m and Exchequer levy by £1.4m to £4m. Interest charges amounted to £1m (£1.1m).

Tax took £2.5m (£1.4m) to leave earnings at 16.5p (8.1p) undiluted and at 14.3p (7.5p) fully diluted.

The interim dividend is being stepped up from 2p to 3p net per 10p share—a final of 6p was paid for 1984-85 from pre-tax profits of £8.9m (£8.1m).

A useful contribution to profits came from the sale of airtime for Channel TV. Channel 4 revenues continued to increase but the directors said the adverse gap between revenue and costs was being slowly closed.

The increase in programme transmission costs included the costs of Strong Medicine, a mini-series to be transmitted over the ITB network later in the year — this programme haa already been broadcast overseas.

### ● comment

In the last year or so TVS has been bandied about as the rising start of the television sector and 1985/86 has been perceived as the year in which its *increased share of advertising* revenue and development of overseas programme markets would coma to fruition. The City was well prepared for this surge in profits, yet the share price rose by 15p to 278p yesterday. The increase in advertising revenue continues — outpacing the ITV network by two or three per cent in the interim period—although it is difficult to see how much higher TVS's share can become. Given that a relatively small proportion of profit is gleaned from overseas programme sales TVS will be a beneficiary of the recent reform of Exchequer Levy, but the new Levy structure will inhibit its long-term plans to broaden its income base by developing programme markets overseas. Given that the chief "export" for the year, the mini-series, Strong Medicine, was pre-sold in the first half, profits growth should slow in the second. The City expects profits of £10.3m for the full year producing a prospective p/e of 10.5 which seems appropriate, after the recent rise in the share price, unless, in the wake of the Thames flotation, the City's new-found love for television prompts a re-rating of the sector as a whole.

# API expansion continues with £7.5m purchase

BY DAVID GOODHART

Associated Paper Industries is continuing its programme of selective acquisition by paying £7.5m for Tenza which makes a range of self-adhesive products.

API hit serious problems at the start of the 1980's but after a major retrenchment campaign changed itself from a broadly-based paper producer to a highly specialised operation in paper conversion, film and foil.

This acquisition continnes its growth into niche sectors of the paper and packaging industry. It is being paid for through the issue of 2.1m shares to the vendors (10.2 per cent of the enlarged capital) of which 478,251 have been placed. The owners of Tenza—a private company—are also receiving £2.6m of unlisted loan notes.

The original Tenza company —Tenza Tapes—was formed in 1970 and is ona of the largest European producers of self-adhesive bags used for protecting documents. Subseqnently Tenza Data Systems was formed in 1980.

The company, based in Saxmundham and Leiston in Suffolk, employs 110 people and last year made a pre-tax profit of £1.1m on turnover of £7.1m. Its net assets ar eabout £2.2m so API is paying £5.3m goodwill. API announced in May interim pre-tax profits of £2.3m on turnover of £33.8m. Its share price rose 6p to close at 240p.

# Emess lifts Rotaflex stake

Emess Lighting, bidding £50m for it UK rival Rotaflex, has raised its stake in Rotaflex to 5.1 per cent. Emess criticised yesterday the failure of MK Electric, holding a 6 per cent stake, to make a full offer for Rotaflex.

## AGB Research

AGB Research, the leading UK markat research company, has agreed to buy a majority stake in ASI Market Research of Japan, for an undisclosed sum.

## Peek loss

Peek Holdings, grain and animal foods, incurred losses of £312,000 (£44,000) in the second half, and losses for 1985 as a whole were £597,000 compared with profits of £7,000. Turnover fell from £3.86m to £2.83m. The loss per 7p share was 4.98p

# Slim-line Audiotronic cuts losses to £0.53m

Audiotronic Holdings, the Wembley-based distributor of electrical equipment, reduced its losses from £1.25m to £527,000 pre-tax in 1985-86.

Loss per share was cut by 2p to 1.3p—tha company has been in the red for nine years and last paid a dividend in 1979.

Turnover for the year to February 28 1986 fell from £10.55m to £2.56m. However, during the year the telecommunications distribution and maintenance business of Eagle Distributors was sold to third parties.

The trading performance of the electrical equipment and accessories distribution business, which now represents the principal continuing business of the company, comprised turnover of £1.92m (£2.43m) and gross profit £744,000 (£81,000).

Eagle Distributors, itself, continued to make satisfactory progress although profits generated were still only modest.

The directors said they were working on the opportunities presented through the investment earlier this year in Midland City Partnership to expand Eagle's turnover and profitability. This would be achieved by the network of branches which MCP had developed with the acquisition of selected businesses from J. H. Sankey & Co.

## DIVIDENDS ANNOUNCED

| | Current Payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Akroyd & Smithers int | 4 | July 23 | 4 | 4 | 4 |
| Blue Arrow‡ ...... int | †0.6 | Aug 15 | 0.4 | — | 1.2 |
| Compco Hldgs ............ | 6.25 | — | 5.2 | 6.25 | 5.2 |
| Compsoft .................. | nil | — | 2 | nil | 2 |
| FNFC .............. int | 2.25 | Aug 26 | nil | — | 2.8 |
| Gresham House 2nd int | 3.45 | — | 3 | 4.85 | 4.4 |
| Leopold Joseph ......... | 9.38 | — | 9.38 | 12.38 | 11.25 |
| Mercury Securities int | 21 | July 23 | 16 | 21 | 16 |
| Rea Hldgs ............... | 1 | — | 1 | 2 | 2 |
| TV South ......... int | 3 | Aug 28 | 2 | — | 8 |
| Welpac ..................... | 0.3 | — | 0.3 | 0.3 | 0.3 |
| *Widney†* ............ int | *0.33* | — | *0.26* | — | *0.53* |
| Wiggins Grp ............ | 0.5 | — | nil | 0.5 | nil |

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# UK COMPANY NEWS

## Acquisitions boost for Blue Arrow

THE PERSONNEL services division at Blue Arrow has had an improved first half and helped group profits to climb from £90,000 to £2.26m. Turnover for the six months to April 30 1986 soared from £9.28m to £37.43m.

Mr Antony Berry, the chairman, said the figures included results of subsidiaries acquired during the period from the effective dates of acquisition.

He said the rationalisation and integration of Brook Street Bureau into the personnel services division was completed at the end of April, and the benefits of this would start to be fully realised in the second half.

He added that the group's position as the largest employment services operation in the United Kingdom was further strengthened by the recent acquisition of Hoggett Bowers, a company specialising in executive recruitment, which was also experiencing record levels of business.

The personnel services division had continued to trade successfully into the second half, which traditionally saw a much greater proportion of profits generated. The cleaning division was supplemented by the acquisition of Reliance Cleaning Contractors (London) at the end of April. This would strengthen the profitability of the division in the second half, said Mr Berry.

The group's financial services and business travel operations had developed strongly in the first half and had each made contributions to overall profitability.

Mr Berry said the group was further extending its geographical coverage and developing the existing range of recruitment services offered.

It was the group's intention to expand in the US where substantial growth potential was seen.

He also said the group was preparing for a listing on the London Stock Exchange sometime this month. It shares are currently traded on the Unlisted Securities Market.

The interim dividend is raised from 0.4p to 0.6p net on the enlarged capital. Earnings per 25p share were up from 1p to 8.5p. First half tax was £835,000 against £31,000, and after dividends of £168,000 (£26,000), and extraordinary debits of £857000 (£89,000), there were retained profits of £899,000, compared with losses of £36,000.

**● comment**

The benefits from Brook Street and Reliance are all apparent within Blue Arrow's figures with £1.6m of the half year profit coming from these acquisitions and £9.5m of the gain coming from organic growth. Rationalisation costs at Brook Street have been pushed down into extraordinaries but even if these might be better described as above the line exceptionals, the cost base is at least that much lower as the business enters the more profitable second half. Cleaning remains problematic; Reliance (where the emphasis is on contract rather than privatisation) has improved the quality of earnings without changing the nature of the problem. Blue Arrow is now sitting back to see if the division can produce a 7 per cent margin on expected turnover of £15m. The group is hoping to land a deal with one or two US recruitment agencies in the coming months and the imminent full listing will help sweeten any earn-out details. For the year, £8m pre-tax should be achievable putting the shares on a prospective p/e of 17.5 at 387p. It may seem high but Tony Berry's stock has been on a rising wave and the growth outlook remains strong.

## Overheads trim Welpac to £0.36m

A SUBSTANIAL rise in overheads left profits of Welpac £49,220 lower at £355,306 pre-tax in the year to January 31 1986, a decrease of 12 per cent.

Fixed costs, in particular employee costs, rose by 39 per cent with rent and rates some 25 per cent higher. However, the profits fall was much in line with directors' expectations and the dividend is being held at 0.3p net per 7p share.

Mr Gerald Lavender, the chairman, said all the additional costs were incurred to expand the group's resources to support further growth.

He pointed out that Welpac had sought to expand its market share through the addition of new product lines and new customers — the group's pre-packed hardware and DIY products are sold through leading multiple retailers, stores and builders' merchants.

Trading in the current year is described as satisfactory. The directors do not anticipate major increases in staff or premises requirements in the short term.

Turnover for the past year pushed ahead from £4m to £5.02m. Tax took £140,185 (£178,169) and left net profits at £215,201, against a previous £226,357.

Earnings emerged at 1.17p (1.24p). The group obtained a quote for its shares on the USM in early 1984.

**● comment**

Welpac has not been overly forthcoming with financial information in the past and it only has itself to blame that the City remains unenthusiastic. The shares fell 1p to 15p yesterday having touched 19p last Tuesday after a boaxer started a bid rumour. The Fraud Squad has been called in. However, the market for pre-packed DIY goods should expand as the leading retailers open more stores and the black economy of semi-professional builders continues to grow. The balance sheet is strong enough to support the acquisition of a retail outlet. Around half the £290,000 increase in last year's costs was non-recurring which means that with only modest sales growth, pre-tax profits should top £500,000. On a 35 per cent tax charge, that puts the shares on a prospective p/e of 8.5, well below the packaging sector multiple.

## M6 Cash & Carry share offer at 100p

BY RICHARD TOMKINS

M6 Cash & Carry, the wholesaling subsidiary of the J. Rothschild investment group, today takes a step towards independence with the publication of the prospectus for its flotation on the unlisted securities market.

Some 5.45m shares—nearly 65 per cent of the enlarged equity—are being offered for sale at 100p a share by brokers Kitcat & Aitken. The company's value at the offer price is £8.4m.

The effect of the flotation will be to reduce J. Rothschild's stake from 92.5 per cent to 29.4 per cent. This is in line with Rothschild's policy of divesting itself of its remaining industrial subsidiaries.

M6 has three cash-and-carry outlets near the M6 motorway. One is at Haydock, near Warrington, another at Crewe, Cheshire, and the third in Brierley Hill, West Midlands. Each offers food, drink and non-food products.

The business was founded by the Bryant family in 1965 but in 1981 a majority holding was acquired by St James Place Development Investments, then part of the Charterhouse Group, which in turn became part of Charterhouse J. Rothschild in 1983.

The original Haydock outlet was joined by the Crewe and Brierley Hill ones in 1982. These last two produced low levels of profits initially and led to a dip in profits growth in the five years to 1985.

Pre-tax profits in the year to last December were £725,000 on turnover of £59.5m, so M6 comes to the market on an historic price/earnings multiple of 8.8 after an actual tax charge of 15 per cent. There is no profits forecast, but a dividend yield of 5 per cent is predicted.

**● comment**

The size of this issue ruled out the more commonplace method of USM entry, though a placing would have seemed more appropriate. As an offer for sale, the attractions seem obscure: the company is much too small to have any real impact on the UK cash-and-carry market and its opportunities for growth are limited to what it can achieve through acquisitions, a field in which its past experience leaves something to be desired. There is no profit forecast even five months into the year, and a rising tax charge means the company will have to run hard just to stand still at the bottom line. Yet a keen management is enthusiastic about the opportunities for exploiting its new-found independence, and with a respectable yield thrown in as a sweetener, the humble price/earnings multiple may yet find welcoming hands for the shares.

## Wiggins recovery continues

THE RECOVERY at Wiggins Group continued in the second half and it is returning to the dividend list with a proposed final payment of 0.5p. The group, with interests in building, motor retailing and property development, reported pre-tax profits for the year to March 31 1986 of £769,000, against losses last time of £1.32m.

The shares closed 12p higher at 83p.

The group also announced the sale of its contracting division to Headcrown. Construction for at least £400,000. The division, which accounted for 33 per cent of group turnover during the year, recorded profits of £44,000.

Mr Stephen Hayklan, chairman, said that the companies had taken a considerable amount of management time and it would require the deployment of resources which could be better used elsewhere in the group.

Payment represents net asset value of the companies at March 31 1986 and there has been an immediate reduction of £750,000 in group borrowings.

Turnover increased by £1m to £63.72m with gross profit coming out at £5.53m (£5m) and operating profit of £2m against losses of £25,000. The pre-tax figure was struck after interest charges little changed at £1.23m (£1.3m). There was a tax credit of £184,000 down from the previous year's £379,000, to give earnings per 10p share of 9.5p, compared with losses of 9.4p.

Mr Hayklan said the year had been one of great activity and progress. "Your directors are encouraged by the improved prospects for property, both commercial and residential, and by the buoyant market for motor cars together with the financial services associated with car sales and hire."

For the present year he added that all activities were meeting or exceeding targets.

## Australian expansion for Costain

Costain Group is to extend its mining activities in Australia with an A$11m (£4.9m) investment in a small gold venture in Queensland. Its 67 per cent-owned Costain Australia is to link with Sedimentary Holdings in the joint development of an operation which has proven reserves of 1.1m tonnes of ore grading 6.8g gold per tonne.

The venture is in the old Cracow mining area, about 100 miles west of Bunderberg. Initially it will treat old tailings (waste matter from previous mining) for their remaining gold content.

## Lifecare Intl.

LIFECARE INTERNATIONAL will not be paying the half-yearly preference dividend, due for payment on June 30. There are 1.1m 6.2 per cent convertible cumulative preference shares in issue, the majority of which are held by fewer than a dozen bolders. In the first balf of 1985, the company had satisfactory trading at its nursing homes, but completion of sales of sheltered house housing units was slow. Current trading suggests profit for the full year should at least be sufficient to eliminate the deficit on reserves and pay both the preference dividends due on June 30 and December 31, and an ordinary dividend.

## Rea downturn

Rea Holdings pre-tax profits dropped from £2.07m to £489,000 for 1985 after falling to £142,000 at halfway, against £753,000. Turnover of this rubber trading, freight and handling concern also fell, from £33.13m to £29.76m.

After tax of £442,000 (£1.71m), and minorities and extraordinary debits, loss for the year came out at £460,000 (£366,000 profit) or 2.2p per share (1p earnings). The dividend is maintained, however, at 2p with a same-again final of 1p.

## Pay-off for former Reed chief executive

By David Goodhart

MR MICHAEL COLLINS, formerly chief executive of Reed International's Building Product's Group, was paid £147,900 as compensation for loss of office when the group was sold last year according to the latest Reed annual report.

A buy-out of the group was led by Candover Trust which, along with other investors, paid £61m for the company—now renamed Caradon.

Mr Collins helped arrange the buy-out terms and remains a non-executive director of Caradon, but the chief executive role was taken by Mr Peter Jansen a former director of Redland.

The annual report also reveals that Mr Leslie Carpenter, the chairman, was the highest paid UK director in 1986 with a salary of £141,941 which compares with the £113,928 paid to the best paid director last year.

## Gresham House floating off two associates

Gresham House, the London-based investment trust, accelerated its recovery in 1985 and said yesterday that it intended to float off two of its associated companies.

Gross income for the year improved from £2.25m and after deducting interest and other expenses of £2.07m (£1.75m) profits at the pre-tax level emerged at £576,000, up from £502,000 — profits in 1982 totalled £842,000 but they fell to £269,000 the following year.

Tax accounted for £168,000 (£139,000) to leave the net balance £45,000 ahead at £408,000. Earnings worked through 0.9p higher at 9.3p per 25p share.

A second interim dividend of 3.45p makes 4.85p net (4.4p). The directors pointed out that the second payment represented a disproportionate part of the total and that they proposed to even this out next year.

Through its issuing house, Security Exchange, Gresham has held discussions with the Stock Exchange with the intention that an application be made for Welsh Industrial Investment Trust, in which it has a 31 per cent investment, to be admitted to the Official List.

It also proposes to make an application to the Stock Exchange for permission to arrange a placing on the USM of ordinary shares in Omnitech, a packaging equipment company in which it holds a 40 per cent stake.

Further investments are being sought with the intention of eventual flotations.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Kleinworth Benson Gilt Fund, Kode International, Lincroft Kilgour, Throgmorton Trust.

Finals: OSE Technology, Estates and Agency, Fashion and General Investment, Ferranti, General Electric, Great Northern Telegraph, O.F. Lovell, A. Monk, Northern Foods, Pepe, Reed Executive, J. Rothschild, Scottish and Newcastle Breweries, Turnbull Scott.

FUTURE DATES

| | |
|---|---|
| **Interims:** | |
| Abbey Life | July 17 |
| Sirmid Qualcast | July 10 |
| M & G Dual Trust | July 9 |
| Southern Business | July 8 |
| **Finals:** | |
| Kenyon Securities | July 22 |
| Monk (A.) | July 1 |
| Park Food | July 11 |
| Rotaprint | July 3 |
| Sommerville (William) | July 25 |

## Leopold Joseph increases earnings

ATTRIBUTABLE profits at Leopold Joseph Holdings improved from £505,000 to £625,000 in the year to March 31 1986, and the final dividend is raised from 9.375p to 9.563p net for an increased total of 12.375p compared with 11.25p. Stated earnings per £1 share were 23.77p against 19.21p.

The board said the results reflected growth in all areas of this merchant bank's business. Policies for asset management placed continued emphasis on the importance of maintaining liquidity at all times.

Total assets of £139m at the year-end showed a small reduction.

One of the results of working closely with its major shareholder, the Refuge Assurance, has been the formation of RLJ Finance in which the company had a minority holding. Purpose of that associate company was to promote personal loans to the policy holders of Refuge Assurance.

The intention was that Leopold Joseph would play a continued role in the development of RLJ Finance, in addition to pursuing further joint initiatives with Refuge.

## Bus and coach setback cuts Widney to £0.13m

THE CONTINUING depression in the UK bus and coach industry severely affected Widney in the opening six months and for the period the Birmingham-based general engineer saw its profits fall from £295,000 to £125,000 pre-tax.

Mr Jonathan Davies, the chairman, said sales in the first quarter were disappointing and an increase in the second was patchy and not sufficiently vigorous to regain lost ground.

Sales for the six months (to March 31, 1986) were little changed at £3.47m (£3.43m). However, it is pointed out that they did not fully reflect the downturn as the comparative figures did not include Francis & Lewis, which was acquired at the beginning of 1985.

In addition to the problem caused by the depression in the bus and coach industry production at Birmingham was disputed by extensive reorganisation.

In the second six months activity has so far been buoyant and the directors expect profits for the full 12 months to be well in excess of the interim results.

They said yesterday that orders for the Oswestry plant had recovered substantially and that investment in new plant over the past three years had been fully vindicated.

The interim dividend is being stepped up from 0.2625p to 0.33p net from earnings of 1.1p (3.1p) per 4p share. The increase reflects the directors' confidence in the group's future prospects.

## Compco rises to £0.6m

INCREASED RENTAL income, coupled with lower interest charges and higher interest earned, resulted in Compco Holdings improving its pre-tax profits from £459,000 to £630,000 in the year to March 25 1986.

Net income from properties belonging to this Edinburgh-based property investment and development company rose from £657,000 to £711,000. Interest receivable was £87,000 compared with £30,000, and other income was up from £11,000 to £63,000. Overheads were higher at £225,000 (£165,000), but interest payable was just £6,000 against £74,000.

Tax took £238,000 against a previous credit of £226,000.

The dividend is raised from 5.2p to 6.25p net, and earnings per 20p were 19.13p (33.43p) before extraordinary items — there was an extraordinary credit last time of £422,000. Net asset value per share improved from 487p to 501p.

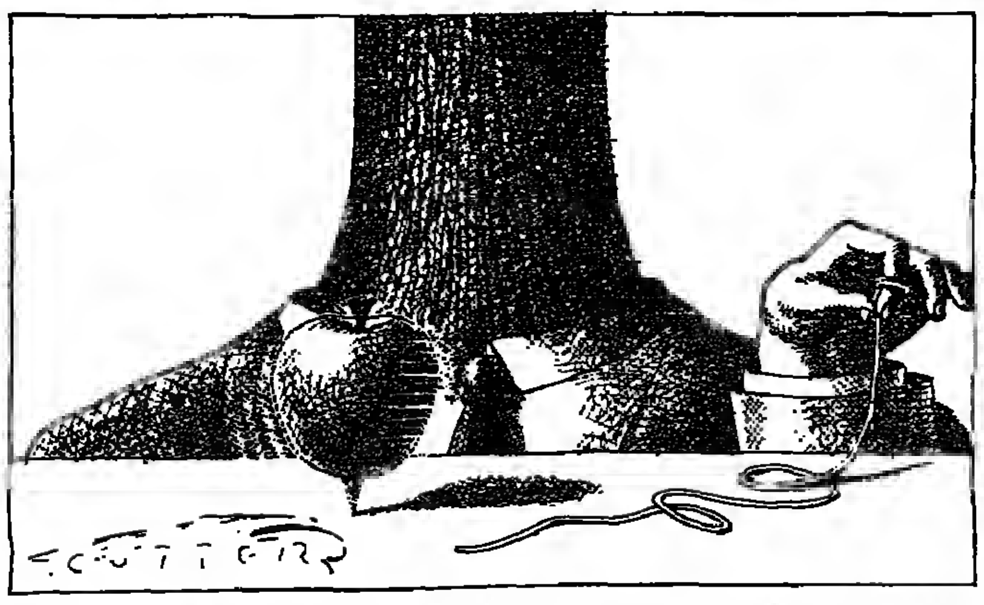
The directors said an external revaluation of the group's property portfolio showed a modest increase over last year's figure and, as a result, shareholders' funds stood at £10.28m, slightly in excess of £5 per share.

# MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

# How peripheral ideas can take centre stage




**William Dawkins, in the second of a series, explains how many large companies can use 'spin-outs' as a means of exploiting what might otherwise be redundant projects**

THREE YEARS agn, David Butler was the disappointed and tired director of Rank Xerox's international systems business.

Disheartened because the group board had—for good reasons, Butler fully admits—just turned down his proposal that Rank Xerox should start marketing artificial intelligence software in Europe; exhausted because flying some 120,000 miles a year on business trips was no fun.

Now, 41-year-old Butler's life could not be more different. He is chairman and controlling shareholder of a £2.6m annual turnover expert systems business with every prospect of making a stock market flotation within the next few years.

But was is really surprising is that Butler's company, Artificial Intelligence, was formed with the blessing of Rank Xerox, is 25 per cent owned by it and sells 70 per cent of its turnover to the large group. The Watford-based venture is the most successful of the 250 or so small enterprises to have come out of Rank Xerox for a host of reasons over the past five years.

It provides an illuminating example of a type of approach by large companies to small ones which is being hotly debated—but rarely enacted—in boardrooms all over Europe. Spin-outs are held up by their proponents as a way in which large companies can make use of otherwise peripheral ideas.

*This is quite distinct from* external corporate venturing, whereby big companies look for new ideas by investing in independent enterprises, an approach discussed on this page last week.

Rank Xerox, for instance, was simply too busy launching new office automation and electronic printing products to take up Butler's artificial intelligence proposal. By allowing him to go independent, Rank Xerox avoided having to stifle the opportunity. And by giving Butler a controlling stake, the group enabled Butler to develop the business far faster than would have been possible within the organisation.

"Because I have control, I don't have to refer decisions to anybody but my own directors. For that reason, we have been able to beat a number of major companies to the draw by making decisions faster than them," explains Butler. A corollary of being independent was that Butler could expect no financial aid from Rank Xerox, *another* sharpener for his entrepreneurial instincts.

Rank Xerox is among the small handful of European businesses to have used spin-outs, following an example set for years by US groups like IBM, AT&T, and General Motors. Ironically, the purpose of the Rank Xerox strategy originally had more to do with saving head office costs than putting spare brainwaves to commercial use.

*However,* West Germany's Siemens and Britain's Farranti have been more deliberate in their attempts to spin out research and ICL, Britain's major computer company almost tried spin-outs for that reason until former chairman Robb Wilmot was forced to scrap his internal venturing plans following STC's takeover of ICL in late 1984. "Most large companies have got more unexploited R&D than they will every know about," says Wilmot. "This is a way for them to pull something out where it can get additional financing and focused management outside an environment where it does not fit."

Others, notably Kodak UK, the Swedish packaging group *Tetrapak and ICI's agricultural* division have taken a slightly different approach by using spin-outs to develop possible diversification opportunities.

European spin-outs are limited, complain venture capitalists, by a widespread perception among big companies that the parent needs to have full control over all of its interests.

"We are only scratching the surface. If you want to get individuals motivated and running small businesses within *large ones,* there *needs* to be a change of philosophy among larger corporations," says Terry McKenna, who runs a corporate venturing consultancy and works on spin-outs with London's Electra Investment Trust.

Even so, there are already some clear indications of the conditions under which these peculiarly *sensitive* children might best develop. They thrive on a subtle blend of parental protection and independence—a little band holding but not too much.

One company that has gone to great lengths to get the balance right is Siemens, the West German electricals giant, which caused raised eyebrows in a corporate culture driven by employee allegiance when it announced its first spin-out two years ago. *Integrated Circuit* Testing, a producer of microchip testing machines run by 12 young engineers from the group research department, was followed early this year by Teleprocessing Systems, a data processing business—and two or three more are under consideration.

The key to the Siemens approach is that spin-outs are only allowed to leave the corporate fold in gradual degrees so as to soften the difficult changeover from employee to proprietor. Candidates begin by producing a business plan, which if accepted wins them a new job as an employee of Siemens's venture capital division. *Still paid a group salary,* they use Siemens cash and equipment to research their projects until — a year or two later — their ventures are good enough to raise outside capital on fully commercial terms.

It is at that point that parental protection runs out. They leave Siemens as *self-employed* proprietors and owners, the only condition being that Siemens takes an option over 20 to 25 per cent of their companies' equity.

Teleprocessing has flourished under that system—indeed it was already profitable at the internal *stage*—but Integrated Circuit Testing is still making losses in a market dominated by low cost US and Japanese producers.

The point is, says Sigurd Linott, a manager in the Siemens venture capital arm, that neither venture had a future inside the group, so that the only way for Siemens to make money from them was to spin them out.

A prime example of how a contrastingly protective policy can hinder rather than help spin-outs comes from the nine ventures to have emerged from ICI's agricultural division over *the past two years. All* but two of them are running behind budget. Unlike their counterparts at Siemens or Rank Xerox, they get access to soft finance—£10m including running costs so far—and their managers are salaried ICI employees with no equity interest in their enterprises.

"One problem for them is that money does not seem as real as if it came from a clearing bank," admits John Griffiths, business ventures manager for the division. "Now we are trying to be harder."

The ventures, mainly in various kinds of software for engineering services, used to be controlled and advised by 'godfathers,' individuals who were supposed to offer advice and support but in fact found it hard to keep up interest in the exercise, says Griffiths. That arrangement has now been changed, so that the enterprises are grouped together in a single portfolio all reporting to *Griffiths, though it remains to* be seen whether tightening the screw in this way without giving the managers some equity involvement will improve their performance.

Further down the corporate scale, spin-outs are increasingly being recognised by smaller *companies* as a way to launch new products or expand geographically without having to set up a subsidiary to do it.

That means they can keep the costs of the exercise off their balance sheets, a bonus which is obviously more useful to small businesses than large ones. It also provides a clue as to why the only two spin-outs financed by 3i (Investors in Industry) since it launched a widely publicised campaign last September aimed at large companies have actually been completed by small ones.

"It just shows the cultural barriers we are up against," says Geoffrey Taylor of 3i Ventures. "It takes much longer to get to grips with cultural issues in big companies than a relatively simple matter like working out the mathematical benefits of doing off balance sheet expansion for smaller businesses."

## In brief...

ACCOUNTANTS Ernst & Whinney are offering companies a grant scanning service based on the recently completed Euroloc database. Euroloc, developed by the University of Strathclyde's Centre for the Study of Public Policy, lists some 600 grant and other aid programmes available from the European Commission and all the European Community countries (except Spain and Portugal). Ernst & Whinney wants to help US, Japanese and other potential inward investors in Europe find the location with the best package of benefits.

●

HARD-PRESSED computer dealers are well known for offering all kinds of incentives to attract buyers. But the latest, from W. H. Smith Business Computer Centre in Crawley might actually save small businesses some money. Under the scheme, small businesses will qualify for a free £500 feasibility study by experts from the accountancy firm Peat Marwick so long as they buy £4,750 worth of equipment from the centre. Details from W. H. Smith Business Computer Centre, 82 High Street, Crawley, West Sussex.

●

LONDON Business School is again running its Firmstart Programme, a free part-time course for people wanting to set up in business or already running their own enterprises. Two information evenings about the course are to be held at the school on July 15 and 16. The course is funded by the Manpower Services Commission, runs for 40 weeks starting at the end of October, with sessions taking up a couple of days every three weeks so that the 30 participants can continue running or establishing their own ventures. Details from Lorraine Johns, Registrar, Firmstart, London Business School, Sussex Place, Regents Park, London NW1 4SA.

●

COMPANIES considering a flotation on the new Third Market, proposed by the Stock Exchange to open on October 27, can find out more at the Third Market Exhibition on September 10 and 11. Organised by Financial & Business Exhibitions, the event will be held at Glaziers Hall, London Bridge, and will include presentations and seminars from over-the-counter market makers and professional advisers. Details from Christine Prentice, FIBEX, 55 Catherine Place, London SW1E 6DY.

# Focusing in on export potential

**Frank Gray reports on an event which aims to stimulate overseas trade by small firms**

THE DRIVE by Government and private sector trade promotion groups to boost exports by small British companies will be the focus of attention at Export '86, the UK's second annual exhibition on international trade and services.

The exhibition takes place December 2-4 at The Barbican convention centre in London, and follows last year's launch conference, which was attended by more than 4,000 representatives of large and small UK companies.

The decision to go ahead with a second conference stems from the success of the first conference, and the perception that strengthened institutional support for companies with export potential will help boost British industrial growth.

Conference officials note that British exports grew last year by 6 per cent in volume terms to £78bn, and that exports of manufactured goods rose by 8 per cent in 1985 over 1984.

The British Overseas Trade Board, which is a member of the conference's steering group, has acknowledged that British exporters need continuing support given that most export growth was attributable to the favourable position of sterling against the currencies of Britain's major trading partners. The BOTB sees a strong export performance this year, but would like it to be further boosted by real productivity gains rather than just foreign exchange fluctuations.

The BOTB points out that in the second quarter this year, it supported more than 2,400 British companies in promoting their products and services abroad through trade fairs, missions and seminars. Of these, 1,600 firms were represented at 84 fairs and seminars in 28 countries.

Western Europe and the US remain priority regions. But with the help of the Overseas Development Agency, more funds from its aid and trade provision are being poured in to help British exports to China, India and Indonesia, the world's first, second and fifth most populous countries.

The latest aid provision by the ODA was made on June 19 to the Inter-Governmental Group on Indonesia, and provides £40m for agreed development projects which will be spent on British goods and services, and a £5m grant for the provision of technical co-operation. As the ODA points out, such packages have enormous spin-off potential *for* small exporters which share in the sub-contracting by bigger UK concerns.

An important feature of Export '86 will be its programme of seminars focusing on such trade instruments as countertrade, forfaiting, short-term *finance, getting paid for* goods shipped, and finance and foreign exchange.

The seminars will offer the Export Credits Guarantee Department, and some of its private sector competitors, an opportunity to explain the changing face of export finance to companies seeking to export.

One element of this is the larger role now being played by City banks in providing alternatives to the ECGD's comprehensive bank guarantee (CBG) scheme, which it is now phasing out and which will be formally discontinued by October 31, 1987.

## Fine rates

The CBG scheme, introduced two *decades ago, provides* ECGD guarantees for short-term credit given by banks to UK customers. Because of the scheme, exporters have been able to obtain export finance on a 180-day basis at fine rates of interest. It was decided to drop the scheme last year because of rising losses and the fact that it was falling into disuse. At the moment, there are only 530 CBG policyholders, compared with 2,000 a few years ago.

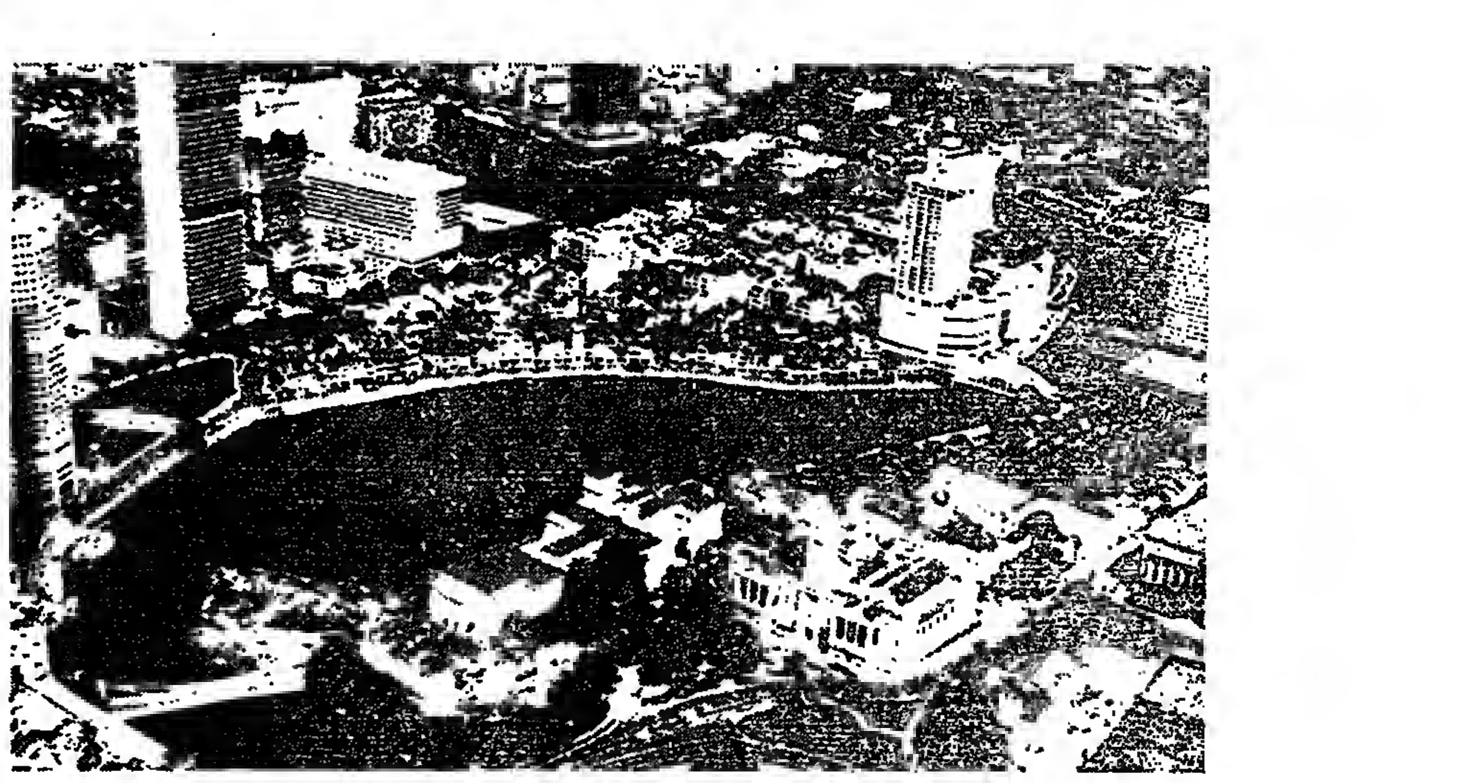
*The ECGD points out* that the decision to drop the scheme does not mean any curtailment of export insurance cover for small exporters. Rather, the scheme, as conceived in the 1960s as a device to resolve problems over the erratic availability of export finance in times of tight money, simply had grown obsolescent.

Major banks are now moving to provide alternative schemes covering companies with exports of up to £2m. Among the banks that have moved to fill the small gap is Midland Bank, with its Midfes schemes. Other banks now broadening their own export finance schemes for small companies along similar lines are Hambros, Barclays, National Westminster, Lloyd's and Williams and Glyn's.

# Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS





## Business Opportunities



### NORTH EAST DERBYSHIRE

AN EXCELLENT OPPORTUNITY TO ACQUIRE A RESIDENTIAL INVESTMENT PORTFOLIO OF 239 PROPERTIES

AVAILABLE AS A WHOLE OR IN 20 CONVENIENTLY SIZED LOTS

CAPABLE OF PRODUCING A GROSS INCOME OF £197,216 PER ANNUM

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*Full details from the Sole Agent*

WilkinsVardy
Estate Agents
Valuation Surveyors
23 Glumen Gate, Chesterfield
Derbyshire.
Telephone 0246 70123
(Ref: JGW)

### WANTED

LARGE IBM COMPUTER SITE AND TRAINED PERSONNEL

Large European Group requires LARGE IBM SITE IN SOUTHERN ENGLAND for its future plans. The existing IBM site could be incorporated as a profit contributor rather than an existing overhead

*All replies in strictest confidence to: Box F6613, Financial Times 10 Cannon St, London EC4P 4BY*

### BUSINESS BUYERS INTERNATIONAL

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*We will:*

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We have obtained financing for 90% of our clients' acquisitions

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Tel: (201) 285-1711

Telex: 325748 BBI USA

Small, well established (24 yrs) US firm, manufacturing special equipment and machines for

**HI-TECH INDUSTRY**

Seeks Merger or Partnership with UK firm that would like entrance to US market. Strategically located in San Francisco area

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### CHAIRMAN FOR TECHNICAL COMPANY

Very experienced and reasonably technical non-exec. Chairman (45-55 age) for ambitious medical and electronic manufacturing company in SW London. Well established, £2.5m turnover

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## Businesses Wanted

### Licensed Deposit-Taking Institutions

Our clients, a U.K. subsidiary of a major U.S. Multinational, wish to acquire for cash a licensed deposit-taker.

The ideal acquisition would have the following characteristics:-

- Recognised by the Inland Revenue as carrying on a bona fide banking business for tax purposes.
- Established at least five years.
- Experienced management.
- Loan book not less than £25 million comprising primarily secured loans to business customers of good credit status.
- One or more established specialised niches.
- Capable of considerable expansion with the support of a substantial parent.
- Based in London or the Home Counties.

This acquisition represents a planned diversification for our clients and a business of the type described would be complementary to, and not overlap with, their existing activities in the financial services field.

Please write to Mr W.L. Hall,

KMG Thomson McLintock
Chartered Accountants
70 Finsbury Pavement London EC2A 1SX
Telephone 01-820 9111

### ACQUISITION

REQUIRED BY PUBLIC COMPANY

Profitable medium sized companies in southern half of UK required for cash. Light engineering or distribution operations preferred with growth potential and ability to operate with limited management input. Full details, last three years accounts and estimated consideration to Box H0981, Financial Times, 10 Cannon Street, London, EC4P 4BY.

### ACQUISITIONS

We are a very profitable expanding company that wishes to acquire companies involved in:

PLASTICS
INDUSTRIAL GLASS COMPONENTS
PACKAGING
CONTRACT PACKAGING OR FILLING
PHARMACEUTICAL EQUIPMENT
HEALTH CARE

Consideration will be paid in cash

*Write Box H0991, Financial Times 10 Cannon St. London EC4P 4BY*

### UP TO £100,000

INVESTOR SEEKS SERVICE BUSINESS
IN LONDON/WEST LONDON AREA

Recruitment consultancies/employment bureaus and related activities are of specific interest. Partnership considered and investor proposes to be active in the business. Start-up business would be considered but established business preferred

*Write Box H0980, Financial Times 10 Cannon St, London EC4P 4BY*

## Business Services

DIRECT MAIL LISTS & SERVICES—100s of ready-built lists immediately available. Suppliers to leading UK companies. Free Catalogue Marketscan, Freepost, Chichester, Sussex. Tel. 0243 786711.

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Contact: "Business and Assets (IRLC)." 01-637 3036.

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MOI FCA undertakes special assignments home/abroad. Impec. refs. (0386) 770157.

### Offshore & U.K. Companies

Incorporation and management in UK, Isle of Man, Channel Islands, Turks, Panama, Liberia, Gibraltar, Hong Kong, etc. Domiciliary and nominee services.

SELECT CORPORATE SERVICES LTD.
3 Mount Pleasant, Douglas, Isle of Man
Tel: Douglas (0624) 23718
Telex: 628554 SELECT G

London representative:
2-5 Old Bond St,
London W1
Tel: 01-493 4244
Telex: 28247 SCSLDN G

SCS

## Businesses For Sale

### Buckley Investments Limited

(IN RECEIVERSHIP)

The opportunity arises as a consequence of receivership to acquire the businesses and assets of the following subsidiaries:

**Miller Buckley Construction Ltd**
(Rugby)
Building & refurbishment for public & private sectors with emphasis on retail premises.

**Miller Buckley Civil Engineering Ltd**
(Rugby)
Civil Engineering projects particularly tunnelling principally for the public sector.

**Miller Buckley Plant Ltd**
(Rugby)
Plant Hire.

**Stratheden Homes Ltd**
(Bournemouth)
Sheltered housing developments in the South of England.

**Dividag Systems Ltd**
(Southam)
Manufacture of specialist steel components for the civil engineering and construction industries.

**Benbow Contracts Ltd**
(Newton Abbot)
Shopfitting and joinery.

**Miller Buckley Developments Ltd**
(London)
UK Property Development.

**Miller Buckley Overseas Ltd**
Properties in the USA and Barbados.

Requests for further information should be directed to: AM Homan and MD Garcia, The Joint Receivers and Managers, Buckley Investments Limited, Price Waterhouse, 1 London Bridge, London SE1 9QL. Telephone: 01-407 8989 Telex: 931786 or 934716

Price Waterhouse

### FOR SALE

MAJORITY SHAREHOLDER GROUP SELLS RUBBER PRODUCTS FACTORY

Located in Portugal on the Lisbon Industrial Belt.

15,000 sq m. Covered Area

Good equipment, advanced technology due to recent investments, wide production range including profiles for car industry, good local clientele, well placed on other European and African markets (namely: Argelia, Tunisia, Marrocos, Zaire, Angola, Guine etc)

*Write Box H0983, Financial Times 10 Cannon St, London EC4P 4BY*

### FOR SALE

HIGH CLASS ARCHITECTURAL METALWORKERS

Owner wishing to retire. Manufacturers of Balustrades, Shopfronts, Canopies, Entrance Doors, Revolving Doors, Interior Screens. In Brass, Bronze, Aluminium and Stainless Steel. Showcase Manufacturers under contract to HM Government

*Write Box H0984, Financial Times 10 Cannon St, London EC4P 4BY*

### FOR SALE

Title to Established, Profitable, SPORTS PUBLICATION

Distribution UK and overseas. Owner expertise available for smooth transfer. Genuine reasons for selling

*Write Box H0985, Financial Times 10 Cannon St, London EC4P 4BY*

### WELDING EQUIPMENT AND ANCILLARY SUPPLIES

This well established, Midlands based, business offers a wide range of welding and ancillary equipment and provides servicing and hire from freehold premises in a good location. Broad customer spread provides turnover of approx. £1m. For further information please apply to: Mr. R. Maddox or Mike S. Mann, Edwards Mander & Co. (Solicitors), King Edward House, New Street, Birmingham B2 4QW. 021 643 0111.

E. M. & F. discreetly sell each year many 100s of P.O.'s, retail shops, hotels and other business. 20 Regional Offices. 01-819 0210.

### Precision Mould Maker to Rubber Industry

Leicester

For sale as a going concern designers and manufacturers of moulds and trimming equipment for the rubber industry. Occupying superbly equipped freehold premises of about 10,000 sq. ft. Ideally situated 4 miles from Leicester and M1, with 26 skilled employees. Turnover approx. £550,000 per annum.

Good customer base in UK and Worldwide.

For further details contact:

*I.K. Denney or H. Wilks*
*Spicer and Pegler & Partners*
*Clumber Avenue, Sherwood Rise,*
*Nottingham NG5 1AH*
*Tel: (0602) 607131*

Spicer and Pegler & Partners

### Specialist Vehicle Body Builders including "Norcolift" Aircraft Hi-Loaders

Norwich

This nationwide concern, with international potential, operating from freehold premises close to Norwich Airport with turnover for past 12 months in excess of £2,000,000 is for sale by receivers as a going concern.

Enquiries to:
M.L. Page and P.J. Harris
Peat, Marwick, Mitchell & Co.
Holland Court
The Close
Norwich NR1 4DY
Telephone: 0603 620481 Telex: 975539

PEAT MARWICK

### FOR SALE

BUSINESS OF MEDWAY METALS LIMITED

Major ferrous and non-ferrous metal merchant and processor, located on the River Medway close to the M2, M20 and M25 motorway link.

- Annual turnover approximately £5 million
- 7.5 acre freehold wharf site premises which can accept vessels up to approximately 2000 tonnes
- Substantial ferrous and non-ferrous stocks
- Harris 1000 Guillogator Sheer, ideal for ship breaking.

The site is fully equipped to handle the processing of all types of ferrous and non-ferrous material and operates a daily collection service of material from local factories utilising multi-bin and skip lift systems.

For information contact the Joint Receiver:

Touche Ross

Mr A R Houghton, 33-34 Chancery Lane, London WC2A 1EW
Tel 01-405 8799 Tlx 261296 TRCHANG

### Electrical Plant Hire Company

(Specialising in electrical generators)

Offers are invited for the going concern business of Stewart Thomson & Sons (Liverpool) Limited — In Liquidation. The company supplies electrical generators on hire to a wide range of customers throughout the North West of England.

- 74 Diesel Generating Sets — Range 3KVA to 330KVA
- Leasehold Premises
- Plant and equipment
- Turnover £320,000 per annum.

*Further information from the Liquidator:*

F. W. Taylor FCA,
Arthur Young, Silkhouse Court,
Tithebarn Street, Liverpool L2 2LE.
Telephone: 051-236 8214 Telex: 629179 AYLI

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

### For Sale by the receivers, the business and assets of Goddard Foods Limited

Cheese packers and wholesalers of grocery products. Freehold premises at Heckmondwike, West Yorkshire. Turnover £2,000,000 approximately.

C. E. M. Armitage and C. J. Roulston
*Contact the Receivers:*

BinderHamlyn
CHARTERED ACCOUNTANTS
Number Twenty-One Queen Street,
Leeds LS1 2TW.
Telephone 0532 440204

### Plant and Machinery available for sale of LEATHER GOODS AND TOILETRY GOODS MANUFACTURER

Leasehold premises on Industrial Estate also available, with possibility of freehold acquisition. Turnover £237,000 per annum.

Enquiries to Joint Receivers and Managers
LEVY GEE AND PARTNERS
1 Market Street, Worthing
West Sussex BN11 1BW
Telephone (0903) 206841
Please ask for Mrs R. Bramble or Miss Nancollas

Levy Gee

### Specialist Circuit Board Manufacturer

The Joint Receivers offer for sale the goodwill, assets and undertaking of the above company based in Stockport, specialising in the design and manufacture of single, double sided, plated through and multi-layer circuit boards. Operating from leasehold premises, the business had a turnover in the year ended May 1986 of approximately £1 million.

*Further details from:*
The Joint Receivers and Managers
Allan Griffiths and Peter Flesher
Grant Thornton, Heron House, Albert Square
Manchester M2 5HD
Tel: 061-834 5414 · Telex: 667235 GT MAN G

Grant Thornton
CHARTERED ACCOUNTANTS

### TOY, GREETING CARD, STATIONERY WHOLESALER

Old established, Midlands based owns freehold. £1m pa profitable. Directors moving.

*Interested parties contact:*
SOUTHDOWN ASSOCIATES LTD
Dickinson House, Ockenson St
Manchester M1 4LF · 061-834 1053

### Greeting Card Wholesaler

Established greeting card and stationery wholesaler serving CTN sector in London seeks merger/takeover. Complimentary business in same or allied products would benefit from shared costs and large warehouse. Principals only

*Write Box H0982, Financial Times 10 Cannon St, London EC4P 4BY*

### FOR SALE

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This new software enables any directory to be installed and then selectively activated on most PCs. No central computer is required. Also available the publishing rights of directories that are fully compatible on the system. This includes directory of all major computer installations in U.K. Please write, principals only. Box H0989, Financial Times 10 Cannon Street, London EC4P 4BY

### MODEL & HOBBY BUSINESS

FOR SALE

Currently Profitable but with large tax losses available. T/O in region of £200,000 p.a.

*Write Box H0990, Financial Times 10 Cannon St, London EC4P 4BY*

### FOR SALE

Rainwear and Leisurewear Manufacturers

LONG LEASEHOLD PREMISES AND PLANT AND MACHINERY

Complete Turnkey Operation With Labour Force Situated in approximately 25,000 square feet in Newton Abbot, Devon

Very convenient for motorway and main rail-link

*Contact:*
David Sapte
BEGBIES — Chartered Accountants
01-405 1219

## Company Notices

### ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

*(Incorporated in the Republic of South Africa)*
*Registration No. 01/05309/06*

NOTICES TO MEMBERS

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-ninth Annual General Meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg, on Wednesday, August 20, 1986, at 09h00, for the following business:

1. To receive and consider the annual financial statements for the year ended March 31, 1986.
2. To elect directors in accordance with the provisions of the Corporation's articles of association.
3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution, namely:

"That the directors be and they hereby are authorised:

(i) To allot and issue:
(a) all or any portion of the 38 650 000 unissued redeemable cumulative preference shares of 2.5 cents each in the capital of the Corporation and
(b) after providing for the allotment and issue of the ordinary shares in terms of the share incentive scheme, all or any portion of the remaining unissued ordinary shares of 10 cents each in the capital of the Corporation, at such time or times to such person or persons, company or companies, and upon such terms and conditions as they may determine.
(ii) To make arrangements on such terms and conditions as they may deem fit for the subscription by underwriters of:
(a) any shares offered by way of rights issues not taken up by the persons entitled thereto; and
(b) any shares resulting from the consolidation of any fractional entitlements in respect of any shares issued in pursuance of a rights issue, provided that any rights to such shares which can be sold in nil-paid form on the Johannesburg and/or London stock exchanges in the period during which they are quoted on such stock exchanges may be sold by the underwriters, and the net proceeds of any sale of such rights shall be paid to the Corporation."

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation.

By order of the board
C. L. MALTBY, Secretary

Registered Office
44 Main Street
Johannesburg 2001

June 30, 1986

Note: There are no service contracts granted by the Corporation, or any of its subsidiaries, to any director of the Corporation, which The Stock Exchange in London requires to be made available for inspection.

GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg, on Wednesday, August 20, 1986, at 09h10 or immediately following the annual general meeting which has been convened for 09h00 that day, whichever is the later, for the purpose of considering and, if deemed fit, of passing, with or without modification, the following resolution as a special resolution, namely:

"That the articles of association of the Corporation are hereby amended by the deletion of the existing article 93 and the substitution therefor of the following new article:

"93. Save as provided by the proviso hereto or until otherwise determined by the Company in general meeting by ordinary resolution, the Directors shall be paid out of the funds of the Company by way of remuneration for their services a fee at the rate of R10 000 per annum each, and the Chairman and each Deputy Chairman shall in addition to his remuneration as a Director be paid, in the case of the Chairman a further sum at the rate of R10 000 per annum, and in the case of each Deputy Chairman a further sum at the rate of R3 000 per annum; provided that the Directors shall have the power to increase the fees payable in terms of this article up to R14 000 in the case of each Director, plus further sums of up to R15 000 per annum in the case of the Chairman and R5 000 per annum in the case of a Deputy Chairman. The remuneration payable in terms of this article shall accrue from day to day and shall be paid as soon as convenient after the end of each calendar quarter."

In terms of existing article 93 each director receives a fee at the rate of R5 000 per annum and the Chairman receives, in addition to his remuneration as a Director, R7 500 per annum, by way of remuneration for their services to the Corporation; this has been the case since 1979. The reason for proposing the above special resolution is that in recent years inflation and, in the case of directors based abroad, the erosion of the value of the rand, have reduced the purchasing power of the directors' remuneration by more than half and it is considered necessary to restore it to a more realistic level. With the present board of 27 directors, and taking account of the additional amounts which will be payable to the Chairman and three deputy chairmen, the effect of the resolution will be to increase the total amount payable from R142 500 to R290 000 per annum. In addition, the Directors would be empowered to increase the fees in future years in the light of the then prevailing circumstances.

A general meeting of members is accordingly being convened to consider the adoption of the above special resolution.

The ordinary share transfer registers in Johannesburg and London and the ordinary section of the register of members of the Corporation will be closed from August 16 to August 20, 1986, both days inclusive.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation.

A form of proxy to enable members to vote for or against the resolution or to abstain from voting is available from 40 Holborn Viaduct, EC1P 1AJ. Completion of a form of proxy will not preclude a member from attending the meeting.

By order of the board
C. L. MALTBY, Secretary

Registered Office
44 Main Street
Johannesburg 2001
June 30, 1986

AAC

Note: Holders of share warrants to bearer may obtain a copy of the annual report and accounts upon application to 40 Holborn Viaduct, EC1P 1AJ.

### Nordisk Gentofte A/S

Dividend

Dividend 10 per cent payable for 1985/86 will be paid after deduction of 30 per cent dividend tax against infacement of the interim certificate at

DEN DANSKE BANK,
12, Holmens Kanal
DK-1092 København K,
Denmark.

### HARRISONS MALAYSIAN PLANTATIONS BERHAD

(Incorporated in Malaysia)

NOTICE OF CHANGE OF REGISTERED OFFICE AND REGISTER OF MEMBERS

HARRISONS MALAYSIAN PLANTATIONS BERHAD hereby gives notice that as from the 1st day of July, 1986, the registered office of the Company in Malaysia is situated at:
14th Floor, Menara PNB
201 A Jalan Tun Razak
50400 Kuala Lumpur
Tel. No. 03 2619022
Telex: MA 30844/5

ALSO TAKE NOTICE that the Principal Register of Members of the Company as from the aforesaid date is kept at:
14th Floor, Menara PNB
201 A Jalan Tun Razak
50400 Kuala Lumpur
Tel. No. 03 2619022
Telex: MA 30844/5

HARRISONS MALAYSIAN PLANTATIONS BERHAD
Registrar

1st July, 1986

### TRAFALGAR FUND S.A.

société anonyme d'investissement
Registered Office: 14, rue Aldringen
Commercial Register: Section B 8202

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An Extraordinary General Meeting of Shareholders of TRAFALGAR FUND S.A. will be held at its registered office at Luxembourg, 14 rue Aldringen, on July 9th, 1986 at 15.00 hours for the purpose of considering and voting upon the following matters:

1. To amend article 26 so as to change the accounting year to 31st August in each year. The current year will terminate on 31st August, 1986.
2. To amend article 11 so as to change the date of the annual meeting of shareholders to the last Tuesday in January in each year and for the first time in 1987.
3. Any other business.

Resolutions on the agenda of the Extraordinary General Meeting will require that at least 50 per cent of the total issued and outstanding capital are represented at the meeting. Should such quorum not be reached, a second meeting would then be convened not earlier than a month later. At such postponed meeting no quorum will be required. In the Extraordinary Meeting, a majority of two thirds will be required for resolutions on the items of the agenda.

In order to take part at the Extraordinary General Meeting of July 9th, 1986 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following banks:

BANQUE GENERALE DU LUXEMBOURG S.A.
14, rue Aldringen, Luxembourg.
J. HENRY SCHRODER WAGG & CO. LIMITED
4, Old Jewry, London EC2R 8BS

The Board of Directors

### GENERAL MOTORS ACCEPTANCE CORPORATION
### GENERAL MOTORS ACCEPTANCE CORPORATION of CANADA LIMITED
### GMAC OVERSEAS FINANCE CORPORATION N.V.
and
### GENERAL MOTORS ACCEPTANCE CORPORATION (U.K.) FINANCE PLC

NOTICE IS HEREBY GIVEN to holders of notes issued by the above companies that the Annual Report and Accounts of such companies have been published and lodged with Extel Statistical Services Limited. Copies of such reports may be obtained upon written request to GMAC (U.K.) Ltd., P.O. Box 11, Luton, Bedfordshire, England, LU1 2SE, Attention: Company Secretary.

## Clubs



## Legal Notices

### GABE OF BAKER STREET LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the above-named Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
30 Eastbourne Terrace,
(2nd Floor)
London W2 6LF
on Thursday, the 10th day of July 1986 at 2.30 o'clock in the afternoon, for the purposes provided for in Sections 589 and 590.

Dated the 20th day of June 1986.
ELIZABETH COLLINS, Director

IN THE MATTER OF

ARROWSMITH EVANS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of July, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Keith David Goodman, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 20th day of June, 1986.
K. D. GOODMAN,
Liquidator.

## Art Galleries

# LONDON RECENT ISSUES

## EQUITIES

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| $97.50 | F.P. | 13/7 | 97⅛ | 96¾ | Paribas Concorde Tst.9.364% Deb. 1991 | 97 | — |
| $99.623 | F.P. | 30/6 | 100⅛ | 95½ | Peel Hldgs. 9¾% 1st. Mort. Deb. 2011 | 95½ | .... |
| $87.179 | £30 | 26/9 | 30⅞ | 28⅝ | Portugal 9% Ln. 2016 | 29 | −⅛ |
| $99.888 | £40 | 1/8 | 44 | 39½ | Queens Moat 10⅛% 1st. Mort. Deb. 2020 | 39½ | .... |
| 95.512 | F.P. | — | 96 | 95¾ | Scot.Mort.6%—12%Stg'ling.Deb.2026 | 95¾ | .... |
| £105 | £50 | 10/10 | 46 | 44½ | Smith New Court 12pc Uns. Ln. 2001‡‡ | 45 | −½ |
| $99.480 | £25 | 18/7 | 30¼ | 24⅝ | S.E. 10⅛% Mort. Deb. 2016 | 24⅝ | −¼ |
| $99.50 | £10 | 20/8 | 9⅛ | 8 | Sund. & S. Shields Wtr 9.8% Rd Db '96 | 8½ | +½ |
| $48.835 | F.P. | 15/8 | 48⅞ | 47⅞ | Tesco 4% Uns Deep Dis Ln 2006 | 48⅛ | −⅛ |
| ¶¶ | F.P. | — | 125p | 112p | Tomkins. (F.H.)5.6% Cum. Cnv. Red. Prf | 123p | .... |
| 99.073 | £25 | 8/8 | 25¼ | 23⅛ | Tops Est. 10⅛% 1st. Mort. Deb. 2011/16 | 23⅛ | −⅛ |
| ¶¶ | F.P. | — | 106p | 104p | Williams Hldgs. 5⅛% Cum. Conv. Red. Pref. | 104p | .... |
| £100 | £50 | 12/9 | 50¾ | 47⅛ | Witan Inv. 8½% Deb 2016 | 47⅛ | .... |

## "RIGHTS" OFFERS

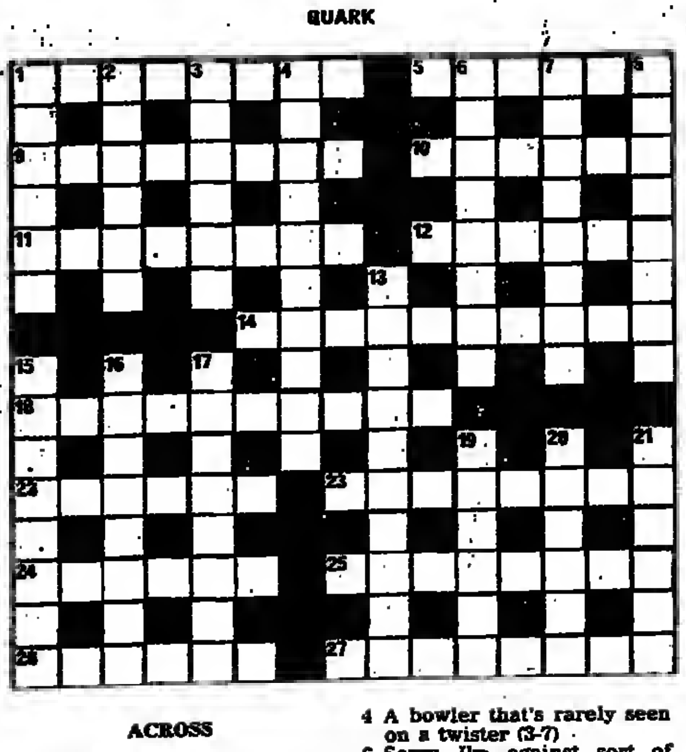
| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 40 | Nil | — | 11pm | 7pm | Anglo African Fin. 7½p | 7pm | −1 |
| 470 | Nil | — | 200pm | 100pm | Antofagasta Hldgs. £1 | 112pm | +12 |
| 55 | Nil | — | ½pm | ¼pm | Bertrams Inv. Tst. | ½pm | .... |
| 110 | F.P. | 11/7 | 142 | 132 | Britannia Arrow | 142 | +4 |
| 190 | F.P. | 8/8 | 235 | 218 | Clifford's Dairies | 225 | .... |
| 170 | F.P. | 8/8 | 197 | 192 | Do A N/V | 197 | .... |
| 465 | Nil | — | 80pm | 80pm | Costain Group | 80pm | .... |
| 880 | Nil | — | 145pm | 135pm | De la Rue | 145pm | .... |
| 47 | Nil | 15/8 | 15pm | 8½pm | Five Oaks Invs. | 15pm | +5 |
| 300 | F.P. | 24/7 | 345 | 328 | Gerrard & Natl. | 338 | +8 |
| 148 | Nil | — | 28pm | 26pm | Ibstock Johnsen | 28pm | +2 |
| 235 | F.P. | 18/7 | 263 | 240 | Lep. Group 2p | 243 | +3 |
| 235 | F.P. | 11/7 | 262 | 247 | McCarthy & Stone 20p | 260 | +5 |
| 85 | F.P. | 11/7 | 95 | 88 | Molyns 20p | 90 | .... |
| 200 | F.P. | 18/7 | 518 | 450 | Nat West Bank £1 | 518 | +13 |
| 18 | F.P. | 23/7 | 23 | 19 | Neil & Spencer 10p | 20 | −1 |
| 50 | Nil | — | 14pm | 10pm | ♦Pineapple Dance Studios 10p | 14pm | +2 |
| £14 | Nil | — | 500pm | 500pm | Priest Marians £1 | 500pm | .... |
| 2 | F.P. | 15/7 | 4½ | 2¼ | ♦Property Trust 'A' 1p | 4½ | +½ |
| 600 | F.P. | 22/7 | 863 | 748 | Prudential Corp | 863 | +6 |
| ½ | Nil | 11/7 | 2½pm | 1¼pm | Rotaprint ½p | 2½pm | .... |
| 265 | Nil | 6/8 | 51pm | 43pm | Scottish TV 10p | 50pm | −1 |
| 25 | Nil | — | 4pm | 3pm | Sovereign Oil & Gas | 3pm | .... |

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment price. ♦ Unlisted Securities Market. †† Official London listing. ‡‡ Including warrants entitlement.



## FT CROSSWORD PUZZLE No. 6,061

**QUARK**



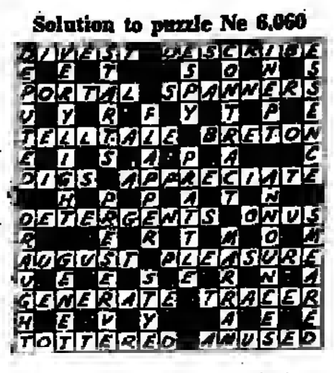
### ACROSS

1 Garden pest, immature yet shrewd (8)
5 Put ao end to drink (6)
9 Repartee that's nnt so good in a certain period (8)
10 It's of oo purpose where blood is, we hear (2,4)
11 Succeeds well, gettiog caps? (8)
12 One who'd hope to be well-read (6)
14 Give chessman cover. That's an order (10)
18 Prestige that would be nnticed (10)
22 Colour? I'd go in for variety (6)
23 Betting shop? It will lead to something bigger (6)
24 If lane twists, it's difficult tn see wheo trees are (2,4)
25 Frocked, although rarely feminine! (8)
26 Almost stingily (6)
27 Jock goes for oothing? (No tax) (4-4)

### DOWN

1 Big nob could be historian (6)
2 Soft toys that have lost head produce disturbances (6)
3 When batsman first becomes nervnus? (6)
4 A bowler that's rarely seen on a twister (3-7)
6 Sorry—I'm against sort of square ceremony (8)
7 Purchase drawing (8)
8 Tons more thao 3s? (8)
13 Fnr example, love being in the middle. Selfish (10)
15 Cootact man? (8)
16 King's daughter, youngest of three (8)
17 Cunoingly trailing a bird or animal (4-4)
19 Doctrinaire exercises and uonsnal teaching initially (6)
20 Do this to the market in a monopoly (6)
21 Soil—snme that makes mud, generally (6)

**Solution to puzzle Ne 6,060**



# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAven Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

## INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co. Ltd.

American Life Insurance Co UK

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Cannon Assurance Ltd—Continued

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance(s)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Co Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assur. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

# INSURANCE, OVERSEAS & MONEY FUNDS

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

**World Fund SA**
2 Boulevard Royal Luxembourg
World Fund NAV . . $11.82 | +0.02 —

**World Wide Growth Management◆**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd . . $16.48 | | —
Inv. Adv. M & G Inv. Mngt. Ltd. London

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg
Advanced Tech . . . . $16.6n | | —
Dynamic Gwth Fd . . $18.28 | | —

**Zero Bond Fund Limited**
PO Box 208 St Peter Port, Guernsey 0481 26268
Zero Bond Fund . . . . $11.14 12.48 | —

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** 2 Fore Street, London EC2Y 5AQ | | | 01-588 1815 | |
| Deposit | 9.60 | | −0.05 | 3-Mth |
| **The Money Market Trust** 61 Qn Victoria St, EC4N 4ST | | | 01-236 0952 | |
| Call Fund | 9.92 | 7.43 | 10.80 | 6mth |
| 7-day Fund | 10.04 | 7.50 | 10.92 | 6mth |
| ***Oppenheimer Money Management Ltd*** 66 Cannon St, EC4N 6AE | | | 01-236 1425 | |
| Call Fnd | 9.69 | 7.24 | 10.38 | 6-Mth |
| 7-day Fund | 9.64 | 7.21 | 10.34 | 6-Mth |
| Dollar | 6.00 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** 22 Charlotte Sq, Edinburgh EH2 4DF | | | 031-225 8484 | |
| Full Service Cur Acc. | 9.25 | 4.00 | 9.62 | Qtr |
| **Aitken Hume** 30 City Road, EC1Y 2AY | | | 01-638 6070 | |
| Treasury Acc | 9.25 | 6.91 | 9.99 | Qtr |
| Mth. Int. Chq. | 9.25 | 6.91 | 10.04 | Mth |
| **Allied Arab Bank Ltd** 91-101 Cannon St, London, EC4N 5AD | | | 01-283 9111 | |
| High Int. Cheque Acc | 10.5 | 7.85 | 11.46 | Mth |
| **Bank of Scotland** 38 Threadneedle St, EC2P 2EH. | | | 01-628 8060 | |
| Money Mkt Cheque Acc | 9.15 | 6.83 | 4.94 | Mth |
| **Barclays Prime Account** PO Box 125, Northampton | | | 0604 252891 | |
| High Int. Cheque | 9.50 | 7.10 | 10.3538 | Qtr |
| **Benchmark Trust Ltd** 9 Henrietta Place, W1M 9AG. | | | 01-631 3313 | |
| Cap Gtd Deposit Acc | 10.00 | 7.47 | 10.88 | Mth |
| **Britannia Investment Services Ltd.** 74-78 Finsbury Pavement, EC2A 1JD. | | | 01-588 2777 | |
| Cater Allen | 9.50 | 7.10 | 10.3338 | Mth |
| **Charterhouse Bank Limited** 1 Paternoster Row, EC4M 7DH. | | | 01-248 4000 | |
| Sterling | 9.625 | 7.19 | 10.47 | Mth |
| U S Dollar | 6.25 | 4.67 | 6.27 | Mth |
| German Marks | 4.00 | 2.99 | 4.27 | Mth |
| Swiss Francs | 1.58 | 1.12 | 1.59 | Mth |
| Japanese Yen | 4.50 | 3.36 | 4.81 | Mth |
| **Citibank Savings** St Martins Hse, Hammersmith Grove | | | 01-741 4941 | |
| Money Market Plus | £5,000+ | 7.50 | 10.93 | Mth |
| For other rates please 'phone our Rateline 01-846 9768 | | | | |
| **Co-operative Bank Cheque & Save** 78-80 Cornhill EC3 01-626 6543 | | | | |
| £500-£2,500 | 6.69 | 5.00 | 7.18 | Qtr |
| £2,500 + | 9.38 | 7.00 | 10.12 | Qtr |
| **Darlington & Co Ltd** Dartington, Totnes, Devon TQ9 6JE | | | 0803 862271 | |
| Money Mkt Acc | 9.50 | 7.10 | 10.30 | Qtr |
| **Henderson/Bank of Scotland** 38 Threadneedle St EC2P 2EH | | | 01-628 8060 | |
| Money Mkt. Cheque Acc. | 9.15 | 6.83 | 9.94 | Mth |
| **Legal & General (Money Mngrs) Ltd** 355 Euston Road, NW1 3AG | | | 01-388 3211 | |
| High Int Dep Acc | 10.37 | 7.75 | 11.11 | 6-mth |
| **Lloyds Bank PLC** 71 Lombard St, London EC3P 3BS | | | 01-626 1500 | |
| High Int Cheque Account | 9.00 | 7.20 | 10.42 | Qtr |
| **Lombard North Central PLC** 17 Bruton St, W1A 3DH | | | 01-409 3434 | |
| 14-Day Notice | 9.50 | 7.10 | 10.00 | — |
| **M & G/Kleinwort Benson** M & G Hse., Victoria Rd., Chelmsford 0245 266266 | | | | |
| H.I.C.A. (£2,500+) | 9.31 | 6.96 | 10.12 | Daily |
| **Midland Bank plc** PO Box 2, Sheffield | | | 0742 20999 Ext 8655 | |
| High Int Chq Acc | 7.03 | 6.75 | 4.51 | Qtr |
| £10,000 + | 9.36 | 7.00 | 9.86 | Qtr |
| **NatWest Special Reserve Account** 41 Lothbury, London, EC2P 2BP 01-256 9933 | | | | |
| £2,000 to £9,999 | 9.25 | 6.875 | 9.99 | Qtr |
| £10,000 and above | 9.375 | 7.00 | 10.12 | Qtr |
| **Oppenheimer Money Mgmnt Ltd** 66 Cannon St, EC4N 6AE | | | 01-236 1425 | |
| Money Mngt. Acc. | 9.25 | — | — | 3-Mth |
| **Phillips & Drew Trust Ltd** 120 Moorgate, London EC2M 6XP | | | 01-628 9771 | |
| High Int Chq Acc | 9.75 | 7.29 | 10.55 | Qtr |
| **Provincial Trust** 30 Ashley Rd, Altrincham, Cheshire | | | 061-928 9011 | |
| High Int Chq Acc | 10.25 | 7.66 | 11.17 | Mth |
| **Royal Bank of Scotland plc** 42 St Andrew Sq, Edinburgh EH2 2YE. | | | 031-557 0201 | |
| Premium Account | 9.50 | 7.10 | 10.27 | Qtr |
| **Save & Prosper/Robert Fleming** 28 Western Rd, Romford RM1 3LD | | | 0708 66966 | |
| H.I.B.A. | 9.23 | 6.90 | 10.06 | Daily |
| **Tyndall & Co** 29-33 Princess Victoria St, Bristol | | | 0272 732241 | |
| Demand Acc | 9.76 | 7.29 | +10.56 | Qtr |
| Money Acc. | 9.53 | 7.12 | 10.30 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** Enterprise House, Portsmouth | | | 0705 827733 | |
| Special Acc | 9.00 | 6.73 | 9.77 | Mth |
| Over £10,000 | 9.25 | 6.41 | 10.04 | Mth |
| **Western Trust & Savings Limited** The Moneycentre, Plymouth PL1 5E | | | 0752 24141 | |
| High Int Chq Acc | 10.00 | 7.48 | 10.83 | Qtr |
| **Wimbledon & South West Finance Co Ltd** 114 Newgate St, London EC4A 7AE. | | | 01-606 9485 | |
| High Int Cheque Acc | — | — | — | — |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 18 |
| BAT | 38 | Midland Bk. | 44 |
| BOC Grp | 32 | NEI | 11 |
| BSR | 14 | Nat West Bk | 70 |
| BTR | 45 | P & O Dfd. | 45 |
| Babcock | 20 | Plessey | 20 |
| Barclays | 45 | Polly Peck | 16 |
| Beecham | 32 | Racal Elect. | 17 |
| Blue Circle | 55 | RHM | 20 |
| Boots | 26 | Rank Org Ord | 48 |
| Bowaters | 30 | Reed Intnl | 75 |
| Brit Aerospace | 40 | Sears | 12 |
| Brit Telecom | 17 | TI | 42 |
| Brown (J.) | 3 | Tesco | 30 |
| Burton Ord | 32 | Thorn EMI | 35 |
| Cadburys | 17 | Trust Houses | 12 |
| Charter Cons | 22 | Turner Newall | 18 |
| Comm Union | 28 | Unilever | 120 |
| Courtaulds | 26 | Vickers | 40 |
| Distillers | 52 | Wellcome | 19 |
| FNFC | 15 | **Property** | |
| Gen Accident | 75 | Brit Land | 16 |
| Gen Electric | 17 | Land Secs | 30 |
| Glaxo | 100 | MEPC | 32 |
| Grand Met | 34 | Peachey | 24 |
| GUS 'A' | 75 | Samuel Props | 18 |
| Guardian | 75 | **Oils** | |
| GKN | 32 | Brit Oil & Min | $2\frac{1}{2}$ |
| Hanson Tst | 16 | Brit Petroleum | 48 |
| Hawker Sidd | 52 | Burmah Oil | 30 |
| ICI | 50 | Charterhall | 3 |
| 'Imps' | 28 | Premier | $3\frac{1}{2}$ |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 32 | Tricentrol | 15 |
| Legal & Gen | 79 | Ultramar | 18 |
| Lex Service | 38 | **Mines** | |
| Lloyds Bank | 55 | Cons Gold | 40 |
| Lucas Inds | 60 | Lonrho | 25 |
| | | Rio T Zinc | 58 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

# South African coal industry counts the cost of political disapproval

BY MAURICE SAMUELSON

AN EFFECTIVE EEC ban on coal imports from South Africa would be a serious setback for the country's growing coal industry at a time when prices are already under pressure.

A ban would also confront the relatively young world market for steam coal, which is used mostly in power stations, with its first major disruption since the political upheaval in Poland five years ago. Some traders believe it could lead to an exchange of markets, with South Africa diverting supplies from Europe to the Far East, and other producers, especially Australia, Colombia and the US, moving into the European vacuum.

Producers are already suffering indirectly from the collapse in the oil price, which their customers, particularly in the electricity sector, have used as a bargaining lever for cheaper coal.

South Africa is already suffering from the effects of political sanctions on her coal industry: Denmark and France have signalled their intention to cancel purchases of 8m tonnes a year by next year.

Mr Graham Thompson, chief executive of the coal division of Gencor, the second largest South African mining house, told a coal trade conference in Amsterdam two weeks ago that exports this year could be cut by 3m to 4m tonnes to 40m, with a further small reduction in 1987.

Mr Alan Hill, analyst with Johannesburg stockbroker Max Pollak & Freemantle, says: "South Africa's political problems must be expected to have an increasingly negative impact upon our future export performance. Notwithstanding the excellent reputation that it has built up over the past 10 years, South Africa will struggle to maintain its share in the world market."

Following the development of new mines and the opening of the Richards Bay port in Natal, this share leapt from 4 per cent a year eight years ago to between 22 and 29 per cent in subsequent years.

But Mr Thompson expects that after dropping this year to about 25 per cent and probably a little further in 1987 the South African share will stabilise at about 25 per cent of the world market with exports rising to above 50m tonnes by 1990.

South African producers can be expected to continue having to offer a "political discount" to purchasers of their coal. Two years ago South African coal was about $2 a tonne cheaper. For the past few months the gap has been between $6 and $7 a tonne, or over 20 per cent of the price.

This discount means that there is effectively a two-tier steam coal market, consisting of South African coal on the one hand, and coal from politically more acceptable suppliers on the other.

Mr Hill believes these discounts could widen. However, with the depreciating rand boosting profits in domestic terms, there is ample scope for discounting, he says.

Max Pollak forecasts that South African coal exports will grow far more slowly than in the past, and more slowly than the world market. However, expanding at 4 per cent a year it will still reach 79m tonnes by the year 2000 against 44m last year. At the same time the world market is forecast to grow from 116m tonnes to 254m tonnes.

Last year two-thirds of South Africa's exports went to Western Europe amounting to one-third of the Continent's steam coal imports. However, while sales to Europe have been static in recent years, shipments to the Far East have nearly doubled from 6.5m tonnes in 1981.

The international trade in steam-coal developed rapidly under the impact of the oil price shocks of the 1970s which made oil too expensive to burn in power stations.

However, the amount of coal traded internationally is still only 3 per cent of world production, and apart from South Africa and Australia, most of the other big producers are dependent mainly on their home markets.

SOUTH AFRICAN COAL EXPORTS IN 1984 (million tonnes)

| | |
|---|---|
| Japan | 7.2 |
| France | 6.5 |
| Italy | 5.9 |
| Denmark | 3.1 |
| Hong Kong | 1.8 |
| Israel | 1.8 |
| West Germany | 1.8 |
| Korea | 1.6 |
| Netherlands | 1.3 |
| Spain | 1.3 |
| Belgium | 1.1 |
| US | 0.6 |
| Taiwan | 0.5 |
| Greece | 0.2 |
| Others | 0.2 |
| Total | 34.9 |

Source: Max Pollack and Fremantle

## Peace hopes rise in US copper industry

By Stefan Wagstyl

THE HARD-PRESSED US Copper industry and its workers yesterday moved closer to a peaceful settlement of new three-year pay accords.

The United Steelworkers' Union, the largest in the industry, said that it had reached a tentative agreement with Asarco. Meanwhile, Newmont, which reached a tentative deal last week said that 3,100 workers at its Magma and Pinto Valley subsidiaries in Arizona had overwhelmingly accepted the agreements. Under the new contracts, which replace agreements expiring this week, total labour costs are being cut by 20 per cent to $15.48 an hour, including benefits. The escalating cost-of-living adjustment which drove up wages during the lifetime of the previous contract has been eliminated at the company's insistence.

Asarco's 1,600 unionised workers are to vote on their contract tomorrow. Kennecott, a subsidiary of Standard Oil which is in turn owned by British Petroleum, and Inspiration Resources, were last night still negotiating with trade union leaders over new contracts to replace those expiring at midnight yesterday. Kennecott has some 1,500 employees working, plus about 5,000 laid off. Inspiration employs some 630 unionised workers.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

| | |
|---|---|
| (tonnes) | |
| Aluminium | +3,900 to 137,850 |
| Cooper | +2,000 to 143,150 |
| Lead | +125 to 43,325 |
| Nickel | −744 to 4,032 |
| Tin | −750 to 51,610 |
| Zinc | −75 to 42,700 |
| (ounces) | |
| Silver | −380,000 to 35,424,000 |

## Report shows cut in oil use

BY MAX WILKINSON

THE INDUSTRIAL world's oil consumption as a proportion of total output has been cut by 37 per cent since the 1973 oil crisis, according to the latest figures from the Paris-based International Energy Agency issued yesterday.

They showed that in 1985 the amount of oil used per unit of output fell by a further 2 per cent compared with the level in the previous year.

The sharpest fall was in the Pacific region, where Japan's drive to conserve energy and to switch from oil to nuclear power, coal and gas has been particularly marked.

Between 1979 and 1985 the share of oil in the industrial world's energy consumption fell by 8 per cent while the share of nuclear energy and coal each rose by 4 per cent.

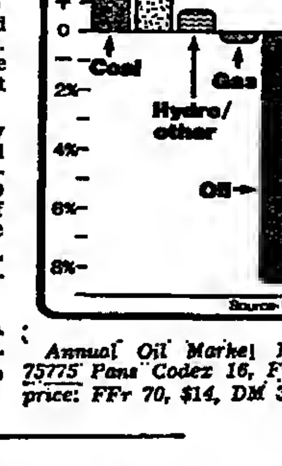
The Agency's Annual Oil Market Report for 1985 shows that oil consumption of the 24 countries in the Organisation for Economic Co-operation and Development fell by about 1.2 per cent in 1985 to 34m barrels per day.

However, it says that the rate of decline in oil consumption has slowed progressively from just over 7 per cent in 1980.

By 1985 the OECD countries' oil requirements were 8m b/d below the peak reached in 1979. This represented an average annual decline of 3 per cent over six years.

Increases in the efficiency with which energy is used reduced the total energy requirement for the OECD countries by the equivalent of 2m b/d between 1979-85. In the same period the use of coal, mainly for electricity generation, rose by nearly 3m b/d.

On the supply side, the IEA says that non-Opec oil production rose by 800,000 b/d to 28.3m b/d last year




* Annual Oil Market Report 75775 Paris Cedex 16, France; price: FFr 70, $14, DM 31, £7.

## China aims to cut imports of metal

BY ROBERT THOMSON IN PEKING

THE CHINESE Government plans to intensify its drive to increase domestic production of non-ferrous metals so as to reduce the drain on the country's limited foreign exchange caused by imports and to make better use of its large deposits of non-ferrous ores.

Fang Yi, an influential state councillor, told a national non-ferrous metals conference recently that China had recorded a $3.2bn deficit on non-ferrous trade over the last five years. China had the resources to exploit, he stressed, but development had lagged well behind the required levels. Attracting foreign investment must become a priority, he said.

In his speech, reported in China Daily, Fang drew attention to the particular need for increased production of aluminium, which is regarded by the Government a second only to steel in its importance for the country's modernisation plans. China's aluminium imports doubled last year.

The largest overseas investment planned by China is an agreement to purchase 10 per cent of an aluminium smelter in the Australian state of Victoria at an estimated cost of $70m. Negotiations have continued on the financing of the purchase, which is almost certain to proceed.

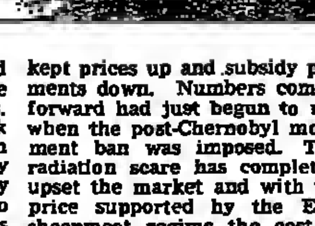
Under the seventh five-year economic plan (1986-1990), the Government plans to build or significantly improve 16 mines and metals processing plants, while 20 projects have been earmarked for imports of foreign technology this year.

Priority in technology purchases have been given to aluminium, with lead, zinc and copper following in importance. China claims to have the world's fifth largest deposits of bauxite—the ore from which aluminium is processed.

Annual output growth of the major non-ferrous metals over the past five years has been just over 5 per cent, and about 7.4 per cent in the past three years. In an attempt to accelerate growth, the Government this year began a new round of national surveys of mineral deposits, which run in 15-year cycles.

# Recovering from a slow start

FARMER'S VIEWPOINT



By John Cherrington

ALTHOUGH THE development of the crops and grass still seems to be at least two weeks later than normal farms are now looking much better than they did at the beginning of June and the last few days of warm weather is bringing on growth at a quite spectacular rate. On my own farm the ewes no longer have to spend all their time hunting the last blade of grass, I have a good hay crop and the cereals have filled the blank spaces in a way I would have thought impossible not long ago.

This seems to be the picture throughout Britain although the further North one goes the more backward everything seems to be — but then there was snow in Aberdeenshire in mid-June. In the southern half of England there have been some very good silage crops, although some of my neighbours tell me that their grass regrowth is rather slow. The quality of silage made must have been superlative. Milk production is now nearly up to quota and dairy farmers must be thankful for being able to economise on compound feeds.

It is the arable sector, however, which shows the most remarkable transformation. After the bad winter many farmers decided to resow some of their autumn sown crops — I did myself but now wish that I had not. I have some of the thickest stands of wheat I have ever grown although they are a fortnight late in coming into ear. In fact I would say that they look almost as well as they did in 1984, when I had my heaviest grain crops ever.

That being said it is obvious that the slow development of the wheat earlier in the spring allowed some of the annual weeds to become well established. Normally they would not have been able to compete with the more vigorous cereals.

I have been particularly struck with how well the autumn sown barley is looking. This crop very often suffers in an early summer drought, so much so that for this and other reasons I am growing none. This time it looks to be well in ear and promising very well. Even on the Cotswolds which had a very bleak time earlier there has been a transformation over the past three weeks.

There is a question mark over oil seed rape, however. Quite a few plants suffered in the winter and many fields winter and many fields still show gaps. There was also a marked shortage of bees for pollinating the crop, which could affect yields. On the other hand all arable crops are capable of compensatory growth which does go a long way towards filling in the gaps between the plants. Very often thin crops throw up more seed heads or else produce bigger and heavier grains. I am firmly of the opinion that most crops are sown too thickly—really as an insurance against conditions like the past winter's.

Sales of English lamb had been slow all through the spring, down about 15 per cent compared with last year. This had kept prices up and subsidy payments down. Numbers coming forward had just begun to rise when the post-Chernobyl movement ban was imposed. This radiation scare has completely upset the market and with the price supported by the EEC sheepmeat regime the cost to the Community could be very high.

The problem for the farmers is that a lamb is like a pear — it has to be sold at just the right stage of weight and condition to get the best return. If marketing is delayed it can very soon get too fat to qualify for full support. It is to be hoped that the public will soon regain confidence in lamb as there are a great many excellent animals due to come on the market during the next few weeks. They can be sold later for winter fattening but meanwhile the damage to farmers cash flow could be serious.

The most daunting challenge, however, will be the likely development of the cereal market. Should the latest forecast from the Home Grown Cereals Authority of a total UK grain crop of 26m tonnes prove correct farmers could be faced with a most difficult situation. The 1985 harvest was estimated at under 22m tonnes. Out of this a total of 3m tonnes were placed in intervention stores which now amount to about 5m tonnes.

There is no reason to believe that the uptake of the UK crop will be any better this year and the whole of the extra tonnage would be likely to have to go to the intervention store, bringing the total to 9m tonnes by the end of the cereal year. Export sales could be made perhaps, but a subsidy of at least £50 per tonne will be needed for wheat and £70 for barley.

Quality standards for all grains offered to intervention have been tightened up dramatically. Those for milling wheat will be particularly stringent and are further complicated by being restricted to lots of at least 500 tonnes. This means that because few farmers will have such quantities to offer, grain will have to be bulked on merchants or co-operative's premises, thus removing the sale from the individual farmer's control. And the cost of the double handling involved could reduce returns so that there would be little point in trying to get the milling premium.

In addition a co-responsibility levy has been imposed on all sales of wheat and barley. But from this will be exempted farmer to farmer sales, use of farmer's own grain, and some producer processors. The details are not yet fully worked out and with the new cereal year starting on July 1 prospects for orderly marketing are very dim.

This last situation has particularly angered the compound feed industry which fears widespread increase in on-farm mixing of feeds. For farmers this seems to offer one way of securing relief, a degree of relief from the financial pressures they are labouring under the moment.

## LONDON MARKETS

THE COFFEE market began the week with a firmer tone following last week's sharp decline. But the rise, which lifted the September futures position by £22.50 to £1,707 a tonne, was not due to any fresh bullish news, dealers said. Early gains were lost at one point, and new 8-month lows were tested, after Accu-Weather said there was no danger of frost hitting the Brazilian crop over the next two days. But short-covering pulled the price up again. Meanwhile the International Coffee Organisation issued a forecast that exporting members' net stocks will fall to 26.36m bags (60 kilos each) by the end of September, from 32.72m a year earlier, the fall being almost entirely due to the low Brazilian crop following last year's lengthy drought. Cocoa prices were also firmer yesterday with the September futures position ending £16./0 up at £1,291 a tonne. Dealers attributed the rise to jobber short-covering and stop-loss buying. They said some producer selling was reported to have been attracted at the higher level.

LME prices supplied by Amalgamated Metal Trading.

## INDICES

### REUTERS

| June 27 | June 30 | M'th ago | Year ago |
|---|---|---|---|
| 1463.8 | 1463.8 | 1756.9 | 1768.8 |

(Base: September 18 1931 = 100)

### DOW JONES

| Dow Jones | June 27 | June 30 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 187.51 | 137.60 | — | 117.01 |
| Fut. | 118.39 | 118.21 | — | 118.40 |

(Base: December 31 1931 = 100)

## MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | June 30 1987 | + or — | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | | | |
| Free Market | $1235/255 | −10 | $1220/619 |
| Copper | | | |
| Cash h Grade | £910.5 | | £945.25 |
| 3 mths | £911.0 | +9.75 | £964.5 |
| Gold Troy oz | $347.5 | +3.0 | $342 |
| Lead Cash | £260.5 | −4 | £260.20 |
| 3 mths | £251.5 | −5 | £266.25 |
| Nickel | | | |
| Free Mkt | 184/205c | | 182/202c |
| Palladium oz | $111.00 | +0.15 | $108.70 |
| Platinum oz | $433.75 | −5.85 | $421.60 |
| Quicksilver† | $210/220 | | $205/215 |
| Silver troy oz | 393.30p | −2.15 | 305.70p |
| 3 months | 357.05p | −1.80 | 362.20p |
| Tin | | | |
| free mkt | £3560/620 | | £3560/69 |
| Tungsten | $08.75 | | $09-13 |
| Wolfram 22.04lb | $42/50 | | $42/50 |
| Zinc | £535.5 | −5 | £509.0 |
| 3 months | £528 | −4.25 | £520.0 |
| producers | $840 | | $760 |
| **OILS** | | | |
| Coconut (Phil) | $242.5y | −2.5 | $247.0 |
| Palm Malayan | | | $242.5 |
| Copra Phil | $170u | | $150 |
| Soyabean (U.S.) | $151y | −1 | $156 |
| **GRAINS** | | | |
| Barley Fut. Sept. | £99.05 | +0.45 | £98.15 |
| Maize | £154.38 | | £150.00 |
| Wheat Fut. Sept. | £100.05 | +0.30 | £99.55 |
| No. 2 Hard Wint. | | | |
| **OTHERS** | | | |
| Cocoa Ft. Sept | £1291 | +16.5 | £1339 |
| Coffee Ft. Sept | £1707 | +22.5 | £1864 |

## ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | 753.5-5 | −3.75 | — |
| 3 months | 753.5-4 | −3.5 | 754/742 |

Official closing (am): Cash 747.5-8.5 (782-3), three months 749-9.5 (759.5-60), settlement 748.5 (763). Final Kerb close: 753.5-4.

## US MARKETS

THE ENERGY COMPLEX fell following Opec's failure to reach agreement on production quotas, reports Heinold Commodities. The meeting, which concluded yesterday morning, left Opec no nearer to reaching the united front needed if it is to significantly lift oil prices. Prices drifted lower in mixed trade, commission house and speculative selling but recovered some lost ground on short-covering towards the close. The market remains fundamentally bearish with abundant stock levels. Coffee futures eased but finished off the day's lows. There was good trade house buying at the opening but the market then drifted quietly down in the absence of any news to support it. Much of the day's activity was in switches, mainly basis July/September and January/March. With Brazil and Colombia having declared their pricing policies last week the industry is in a better position to formulate new purchasing plans and some offtake may result.

## NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| July | 52.30 | 52.35 | 51.70 | 51.75 |
| Aug | 52.70 | — | — | 52.15 |
| Sept | 53.15 | 53.20 | 52.55 | 52.55 |
| Dec | 53.00 | 53.20 | 53.15 | 53.05 |
| Jan | 53.80 | — | — | 53.25 |
| March | 54.10 | — | — | 53.55 |
| May | 54.30 | — | — | 53.75 |
| July | 54.60 | — | — | 53.95 |
| Sept | 54.85 | — | — | 54.10 |
| Dec | 54.80 | — | — | 54.25 |

COCOA 10 tonnes, $/tonnes

| | Close | High | Low | Prev |
|---|---|---|---|---|
| July | 1743 | 1745 | 1711 | 1705 |
| Sept | 7000 | 1809 | 7763 | 1761 |

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar loses ground

The dollar fell to its lowest level for six weeks in currency markets yesterday as economic fundamentals helped re-establish a bearish trend. Friday's worse than expected US trade figures provided the initial momentum and when Japanese trade figures showed a record surplus, the dollar came on offer.

There seemed to be a good two way business with traders happy to buy in at lower levels. However this was in no way a reflection of underlying support, more an opportunity of taking profits ahead of Friday's US holiday and Japanese elections on Sunday. Fears of central bank intervention may have had some influence although dealers noted that dollar purchases of around $400m by the Bank of Japan appeared to have little effect. Most of the dollar's fall occurred in Japan with London once again trading within a fairly narrow range.

Comments by Mr Karl Otto Poehl, president of the West German Bundesbank, proved to be something of a two edged sword. While stressing concern about West German money supply and the limited options available to boost West German economic growth, he intimated that progress was being made towards reducing excess money growth. In addition the Bundesbank announced its intention to hold a press conference after Thursday's meeting of the central council. Prospects of a cut in rates remained low however, considering the D-marks relatively weak position within the EMS.

The dollar closed at DM 2.2015 up from a low of DM 2.1900 but down from Friday's close of DM 2.2045. Against the yen it fell to Y163.70 from Y165.45 and SFr 1.7955 compared with SFr 1.8075. Elsewhere it eased to FFr 7.02 from FFr 7.03. On Bank of England figures, the dollar's exchange rate index fell from 115.0 to 114.4.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index closed at 76.2 up from an opening of 76.1 but unchanged from Friday's close of 76.2.

The pound finished towards the middle of the day's range, up from early levels but down from peaks touched in the afternoon. Once again sterling was influenced mainly by dollar movements with news that Opec ministers were to meet again later this month having little effect. The pound rose to $1.5325 from $1.5295 and DM 3.3750 compared with DM 3.3725. It rose against the Swiss franc to SFr 2.7525 from SFr 2.7650 and FFr 10.7575 from FFr 10.7525. Against the yen it was weaker however at Y250.75 from Y253.0.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 135.4 against 131.5 six months ago.

The D-mark was firmer against the dollar in Frankfurt yesterday in rather quiet trading. Comments by Mr Karl Otto Poehl, president of the Bundesbank hinting that German rates were unlikely to fall in the near term appeared to have little initial effect. Dollar sentiment remained soft and it eased to DM 2.1955 down from DM 2.2090. Earlier in the day it had been fixed at DM 2.1936.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.65. May average 167.01. Exchange rate index 209.0 against 177.4 six months ago.

The dollar fell to a six week low against the yen in Tokyo yesterday despite intervention by the Bank of Japan. The latter bought around $400m, much of it in an attempt to keep the yen from rising too quickly ahead of next weekend's elections. However poor US economic data and expectations of more to come encouraged dollar selling down to a close of Y163.95 against Y165.35 in New York and Y165.85 on Friday in Tokyo.

### £ IN NEW YORK

| June 30 | Latest | Prev. close |
|---|---|---|
| £ Spot | $1.5320-1.5340 | $1.5275-1.5325 |
| 1 month | 0.45-0.39pm | 0.39-0.38pm |
| 3 months | 1.13-1.09pm | 1.09-1.07pm |
| 12 months | 0.90-3.89pm | 3.65-3.00pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT—FORWARD AGAINST POUND

| June 30 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5265-1.5395 | 1.5320-1.5330 | 0.45-0.42c pm | 3.41 | 1.16-1.11pm | 2.96 |
| Canada | 2.1225-2.1346 | 2.1236-2.1266 | 0.35-0.26c pm | 1.72 | 0.70-0.56pm | 1.10 |
| Nethlnd. | 3.77½-3.80½ | 3.78¾-3.79¾ | 1¼-1⅛c pm | 3.96 | 3¾-3¼pm | 3.63 |
| Belgium | 68.67-69.05 | 68.75-68.85 | 21-16c pm | 3.23 | 51-42pm | 2.76 |
| Denmark | 12.46¾-12.52¼ | 12.50¾-12.51¾ | 2-¼ore pm | 1.56 | 3½-2¾pm | 1.00 |
| Ireland | 1.1110-1.1175 | 1.1145-1.1155 | 0.05p pm-0.06dis | — | 0.10pm-0.05d | 0.09 |
| W. Ger. | 3.35¾-3.38 | 3.37-3.38 | 1¾-1½pf pm | 0.79 | 4½-4¼pm | 0.11 |
| Portugal | 226.76-229.32 | 227.10-228.80 | 90-250c dis | −8.95 | 290-765dis | −0.26 |
| Spain | 214.74-215.72 | 214.86-216.18 | 120-175c dis | −8.23 | 300-435dis | −0.44 |
| Italy | 2,307½-2,319¾ | 2,310-2,312 | 2-7lira dis | −2.34 | 9-16dis | −2.10 |
| Norway | 11.48¾-11.52 | 11.49¾-11.50¾ | 4-4¾ore dis | −4.60 | 12¾-13¾dis | −4.44 |
| France | 10.71½-10.77½ | 10.75¾-10.76¾ | 2⅞-2⅛c pm | 2.93 | 6⅞-6¼pm | 2.42 |
| Sweden | 10.89¾-10.93¾ | 10.91-10.92 | ⅛-¾ore dis | −0.41 | 1-1½dis | −0.48 |
| Japan | 250¼-251½ | 250¾-251¼ | 1½-1¼y pm | 9.28 | 3½-3¼pm | 8.28 |
| Austria | 23.61-23.71 | 23.64-23.67 | 11¼-10gro pm | 0.42 | 28¾-25½pm | 4.58 |
| Switz. | 2.74½-2.76 | 2.74¾-2.75¾ | 1¼-1c pm | 4.80 | 3¼-2⅞pm | 4.36 |

Belgian rate is for convertible francs. Financial franc 69.45-69.55. Six-month forward dollar 2.18-2.11c pm. 12-month 3.99-3.89c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| June 30 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5266-1.5395 | 1.5320-1.5330 | 0.45-0.42c pm | 3.41 | 1.15-1.11pm | 2.96 |
| Ireland† | 1.3713-1.3805 | 1.3770-1.3780 | 0.40-0.15c pm | 2.40 | 0.95-0.50pm | 1.97 |
| Canada | 1.3860-1.3887 | 1.3860-1.3870 | 0.15-0.18c dis | −1.43 | 0.57-0.62dis | −1.71 |
| Nethlnd. | 2.4880-2.4820 | 2.4745-2.4795 | 0.20-0.10c pm | 0.73 | 0.60-0.35pm | 0.68 |
| Belgium | 44.80-45.03 | 44.85-44.95 | 1pm-1c dis | — | par-4dis | −0.13 |
| Denmark | 8.12½-8.17 | 8.16½-8.16¾ | 0.50-1.00ore dis | −1.10 | 2.75-3.35dis | −1.50 |
| W. Ger. | 2.1900-2.2035 | 2.2010-2.2020 | 0.52-0.48pf pm | 2.76 | 1.31-1.26pm | 2.34 |
| Portugal | 149¾-150 | 149½-149¾ | 150-300c dis | −17.96 | 400-800dis | −15.91 |
| Spain | 140.10-140.69 | 140.20-140.30 | 100-175c dis | −11.75 | 300-400dis | −9.97 |
| Italy | 1,505-1,513 | 1,507¾-1,508¾ | 6-8½lira dis | −0.76 | 17½-21dis | −5.10 |
| Norway | 7.48¼-7.52 | 7.50-7.50½ | 4.65-5.00ore dis | −7.71 | 13.40-13.80d | −7.24 |
| France | 6.9880-7.0260 | 7.0175-7.0225 | 0.26-0.33c dis | −0.50 | 0.95-1.00dis | −0.58 |
| Sweden | 7.10¾-7.13¾ | 7.12-7.12½ | 2.00-2.20ore dis | −3.54 | 5.65-5.95dis | −3.25 |
| Japan | 163.40-164.30 | 163.65-163.75 | 0.39-0.34y pm | 2.67 | 0.96-0.91pm | 2.28 |
| Austria | 15.38½-15.48½ | 15.44½-15.44¾ | 3-2gro pm | 1.94 | 8-6pm | 1.68 |
| Switz. | 1.7900-1.8010 | 1.7950-1.7960 | 0.31-0.26c pm | 1.90 | 0.77-0.72pm | 1.66 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 45.30-45.40.

### EXCHANGE CROSS RATES

| Jun. 30 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.533 | 3.370 | 250.8 | 10.76 | 2.763 | 3.793 | 2511. | 2.125 | 68.80 |
| $ | 0.653 | 1. | 2.202 | 163.7 | 7.020 | 1.796 | 2.476 | 1508. | 1.386 | 44.90 |
| DM | 0.296 | 0.454 | 1. | 74.30 | 3.187 | 0.010 | 1.184 | 684.7 | 0.629 | 20.39 |
| YEN | 3.988 | 6.116 | 13.46 | 1000. | 42.90 | 10.96 | 10.10 | 9210. | 8.473 | 274.4 |
| F Fr. | 0.930 | 1.425 | 3.137 | 233.1 | 10. | 2.569 | 3.525 | 2148. | 1.975 | 63.96 |
| S Fr. | 0.363 | 0.557 | 1.226 | 91.10 | 3.909 | 1. | 1.378 | 839.0 | 0.772 | 25.00 |
| H Fl. | 0.264 | 0.404 | 0.890 | 66.19 | 2.837 | 0.726 | 1. | 609.4 | 0.560 | 18.14 |
| Lira | 0.433 | 0.663 | 1.460 | 108.6 | 4.655 | 1.191 | 1.641 | 1000. | 0.919 | 29.77 |
| C $ | 0.471 | 0.721 | 1.589 | 118.0 | 5.064 | 1.296 | 1.785 | 1088. | 1. | 32.38 |
| B Fr. | 1.453 | 2.227 | 4.906 | 364.6 | 15.64 | 4.001 | 5.512 | 3360. | 3.088 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| June 30 | Short term | 7 Days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10¼-10⅜ | 10¼-10⅜ | 10¼-10⅜ | 9⅞-9⅞ | 9⅞-9¾ | 9⅝-9¾ |
| U.S. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sw. Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Deutschmark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fr. Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lire | 10-18 | 11⅛-18⅛ | 11⅛-12⅞ | 11⅛-12⅛ | 11⅛-11⅞ | 11¼-11¾ |
| B.Fr.(Fin) | 7-7¼ | 7-7¼ | 7⅛-7⅜ | 7⅛-7⅜ | 7¼-7½ | 7¼-7½ |
| B.Fr.(Con) | 6¾-7¼ | 6⅞-7⅜ | 4¼-4¾ | 4⅞-4¾ | 4¾-4⅞ | 4⅝-4¾ |
| Yen | 5⅛-5⅛ | 4⅛-4⅛ | 6⅛-8⅞ | 6⅛-6⅞ | 8⅝-0⅛ | 6⅞-9⅜ |
| D. Krone | 8⅝-9⅛ | 6⅜-8⅞ | 6⅛-8⅞ | 6⅛-6⅞ | 6⅛-6⅛ | 0⅞-7 |
| Asian $ (Sng) | 0⅛-7⅛ | 6⅛-7⅛ | 6⅛-7⅛ | 6⅛-6⅛ | 6⅛-6⅛ | 0⅞-7 |

Long-term Eurodollars: two years 7⅛-7½ per cent; three years 7-8¼ per cent; four years 7⅞-8¼ per cent; five years 8¼-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two day's notice.

### CURRENCY MOVEMENTS

| June 30 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 76.2 | −10.2 |
| U.S. dollar | 114.4 | +0.8 |
| Canadian dollar | 78.3 | −18.4 |
| Austrian schilling | 100.0 | +7.0 |
| Belgian franc | 95.5 | −7.3 |
| Danish Kroner | 86.1 | −1.0 |
| Deutsche mark | 130.4 | +14.7 |
| Swiss franc | 101.8 | +18.4 |
| Guilder | 105.4 | +8.3 |
| French franc | 69.3 | −15.0 |
| Lira | 46.3 | −17.0 |
| Yen | 209.0 | +63.9 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

### CURRENCY RATES

| June 30 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.769503 | 0.637495 |
| US $ | 6½ | 1.17757 | 0.978823 |
| Canadian $ | 0.79 | * | 1.35758 |
| Austria Sch | 4 | 18.2017 | 10.1038 |
| Belgian Fr | 8 | 52.8171 | 43.0196 |
| Danish Kr | 7 | N/A | 7.96858 |
| D'mark | 3½ | 0.58901 | 2.14788 |
| Guilder | 4½ | 2.91448 | 2.41963 |
| French Fr | 9½ | N.A. | 6.86490 |
| Lira | 12 | 1782.58(1) | 1475.89 |
| Yen | 3½ | 194.289 | 160.184 |
| Norway Kr | 8 | 8.85650 | 7.33814 |
| Span'h Pta | — | 165.812 | 137.245 |
| Swedish Kr | 0 | 8.38018 | 6.95641 |
| Swiss Fr | 4 | 2.12948 | 1.75493 |
| Greek Drch | 20½ | 166.765 | 137.479 |
| Irish Punt | — | 0.855491(1) | 0.710650 |

* C$/SDR rate for June 27: 1.62618. (1) SDR rate for June 27.

### OTHER CURRENCIES

| June 30 | £ | $ |
|---|---|---|
| Arg'tina | 1.3500-1.3525 | 0.8800-0.8810 |
| Aus'alia | 2.2780-2.2810 | 1.4805-1.4820 |
| Brazil | 21.12-21.20 | 13.77-13.84 |
| Finland | 7.8410-7.8540 | 5.1040-5.1060 |
| Greece | 216.56-217.30 | 138.25-141.62 |
| H'kong | 11.9630-11.9795 | 7.8070-7.8090 |
| Iran | 121.16* | 79.0* |
| Kuwait | 0.4490-0.4505 | 0.2928-0.2934 |
| Lux'burg | 68.75-68.85 | 44.85-44.95 |
| Malaysia | 4.0125-4.0200 | 2.6225-2.6258 |
| N'Z'land | 2.7935-2.8020 | 1.8160-1.8210 |
| Saudi Ar. | 5.7485-5.7060 | 3.7500-3.7015 |
| Sin'pore | 3.3480-3.3520 | 2.1860-2.1800 |
| S Af. (Cm) | 3.8035-3.8345 | 2.4785-2.4848 |
| S Af. (Fn) | 6.4675-6.7015 | 4.2105-4.3955 |
| U.A.E. | 5.6290-5.6365 | 3.0720-3.0735 |

* Selling rate.

Correction for June 26: Finland $5.1550-5.1570. S'Af (Fn) £6.4955-6.7425.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu June 30 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.6761 | 43.9196 | +0.56 | +0.62 | ±1.5388 |
| Danish Krone | 7.91896 | 7.96958 | +0.64 | +0.70 | ±1.6408 |
| German D-mark | 2.13834 | 2.14788 | +0.45 | +0.51 | ±1.1202 |
| French Franc | 6.96280 | 6.86490 | −1.55 | −1.49 | ±1.3701 |
| Dutch Guilder | 2.40935 | 2.41963 | +0.43 | +0.49 | ±1.5081 |
| Irish Punt | 0.712956 | 0.710660 | −0.32 | −0.26 | ±1.6665 |
| Italian Lira | 1496.21 | 1475.89 | −1.36 | −1.36 | ±4.0788 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### STERLING INDEX

| | June 30 | Previous |
|---|---|---|
| 8.30 am | 76.1 | 76.1 |
| 9.00 am | 76.1 | 76.0 |
| 10.00 am | 76.1 | 76.0 |
| 11.00 am | 76.1 | 76.1 |
| Noon | 76.1 | 76.0 |
| 1.00 pm | 76.2 | 76.0 |
| 2.00 pm | 76.3 | 76.3 |
| 3.00 pm | 76.3 | 76.2 |
| 4.00 pm | 76.2 | 76.2 |

## FINANCIAL FUTURES

# Lack of factors

US Treasury bond futures and Eurodollar futures performed better than sterling denominated contracts on the London International Financial Futures Exchange yesterday. But it was a quiet day, influenced by book squaring at the end of the month and end of quarter, while US financial markets already appear to be looking forward to a long weekend, with Independence Day falling on Friday this year.

Dealers commented on the lack of new factors to stimulate the market. September US Treasury bonds opened firm at 99-13, and rose to a peak of 99-22, on news the West German Bundesbank is to hold a press conference after Thursday's regular central bank council meeting. A cut in the 3.5 per cent German discount rate was generally regarded as unlikely, but dealers believed the 5.5 per cent Lombard rate, left unchanged at the time of the last discount rate reduction on March 6, may be cut.

This was not enough to sustain the price however, and September bonds retreated to a low of 99-09, before closing at 99-15, compared with 99-01 on Friday.

September three-month Eurodollars rose to 93.44 from 93.40, after finding technical resistance at 93.45.

Sterling interest rate contracts were depressed by the failure of UK interest rates to fall. The terms of yesterday's money market intervention by the Bank of England did not encourage hopes of lower rates.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike price | Calls—Last Sept | Dec | Mar | June | Puts—Last Sept | Dec | Mar | June |
|---|---|---|---|---|---|---|---|---|
| 116 | 5.80 | 6.41 | — | — | 0.26 | 1.21 | — | — |
| 118 | 4.22 | 5.17 | — | — | 0.53 | 1.81 | — | — |
| 120 | 2.44 | 4.05 | — | — | 1.30 | 2.80 | — | — |
| 122 | 1.60 | 3.05 | — | — | 2.26 | 3.49 | — | — |
| 124 | 1.11 | 2.17 | — | — | 3.41 | 4.81 | — | — |
| 126 | 0.42 | 1.39 | — | — | 6.06 | 6.19 | — | — |
| 128 | 0.21 | 1.06 | — | — | 6.51 | 7.52 | — | — |
| 130 | 0.10 | 0.49 | — | — | 8.40 | 9.26 | — | — |

Estimated volume total, Calls 882, Puts 196. Previous day's open int. Calls 5,854, Puts 3,503

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike price | Calls—Last Sept | Dec | Mar | June | Puts—Last Sept | Dec | Mar | June |
|---|---|---|---|---|---|---|---|---|
| 88 | 11.38 | 11.40 | — | — | 0.06 | 0.66 | — | — |
| 90 | 9.47 | 10.01 | — | — | 0.17 | 1.17 | — | — |
| 92 | 7.63 | 8.34 | — | — | 0.32 | 1.50 | — | — |
| 94 | 6.21 | 7.11 | — | — | 0.55 | 2.27 | — | — |
| 96 | 4.57 | 5.61 | — | — | 1.27 | 3.13 | — | — |
| 98 | 3.41 | 4.56 | — | — | 2.11 | 4.08 | — | — |
| 100 | 2.38 | 3.60 | — | — | 3.08 | 5.12 | — | — |
| 102 | 1.32 | 2.59 | — | — | 4.23 | 6.26 | — | — |

Estimated volume total, Calls 269, Puts 132. Previous day's open int. Calls 1,547, Puts 457

### LIFFE £/$ OPTIONS

£25,000 (cents per £1)

| Strike price | Calls—Last July | Aug | Sept | Dec | Puts—Last July | Aug | Sept | Dec |
|---|---|---|---|---|---|---|---|---|
| 1.30 | — | — | 23.30 | 23.35 | — | — | 0.05 | 0.30 |
| 1.35 | 18.35 | 18.35 | 18.35 | 18.35 | 0.00 | 0.02 | 0.14 | 0.64 |
| 1.40 | 13.25 | 13.35 | 13.35 | 13.35 | 0.00 | 0.14 | 0.60 | 1.67 |
| 1.45 | 8.35 | 8.37 | 8.70 | 9.71 | 0.02 | 0.63 | 1.34 | 3.34 |
| 1.50 | 3.61 | 4.07 | 5.41 | 6.90 | 0.42 | 1.33 | 3.21 | 5.00 |
| 1.55 | 0.79 | 2.15 | 2.39 | 4.65 | 2.60 | 4.42 | 5.59 | 8.18 |
| 1.60 | 0.06 | 0.81 | 1.47 | 2.98 | 8.97 | 3.07 | 8.87 | 11.53 |

Estimated volume total, Calls 1, Puts 0. Previous day's open int. Calls 3,268, Puts 3,600

### PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

| Strike price | Calls—Last July | Aug | Sept | Dec | Puts—Last July | Aug | Sept | Dec |
|---|---|---|---|---|---|---|---|---|
| 1.20 | — | — | 23.30 | 23.10 | — | — | 0.05 | 0.30 |
| 1.30 | 18.30 | — | 18.30 | 18.10 | — | — | 0.10 | 0.70 |
| 1.40 | 13.30 | — | 13.30 | 13.50 | — | — | 0.40 | 1.60 |
| 1.45 | 8.30 | 8.30 | 8.80 | 9.60 | 0.05 | 0.60 | 1.10 | 2.80 |
| 1.50 | 3.65 | 4.85 | 5.30 | 9.90 | 0.30 | 1.75 | 2.40 | 4.60 |
| 1.55 | 0.76 | 2.00 | 2.70 | 4.15 | 2.25 | 4.05 | 5.10 | 7.30 |
| 1.60 | 0.05 | 0.70 | 1.25 | 2.50 | 8.85 | 7.60 | 8.30 | 10.40 |

Previous day's open int. Calls —, Puts —. Previous day's volume, Calls —, Puts —

### LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

| Strike price | Calls—Last July | Aug | Sept | Dec | Puts—Last July | Aug | Sept | Dec |
|---|---|---|---|---|---|---|---|---|
| 130 | — | — | 23.80 | 23.80 | — | — | 0.50 | 1.50 |
| 140 | 12.40 | 0.80 | 10.00 | 10.20 | 0.70 | 0.90 | 1.40 | 2.70 |
| 145 | 8.10 | 8.20 | 8.70 | 9.70 | 0.30 | 0.75 | 1.45 | 3.15 |
| 150 | 3.60 | 4.60 | 5.85 | 6.60 | 0.60 | 2.05 | 3.10 | 5.20 |
| 155 | 0.60 | 2.15 | 2.85 | 4.35 | 2.60 | 4.60 | 5.75 | 7.30 |
| 160 | 0.20 | 0.60 | 1.25 | 2.25 | 7.30 | 8.35 | 9.20 | 11.30 |
| 165 | 0.20 | 0.40 | 0.70 | 1.50 | 12.30 | 12.50 | 13.30 | 15.10 |

Previous day's open int. Calls 3,802, Puts 1,630. Volume, 51

### LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

| Strike price | Calls—Last Sept | Dec | Mar | June | Puts—Last Sept | Dec | Mar | June |
|---|---|---|---|---|---|---|---|---|
| 93.00 | 1.44 | 1.35 | — | — | 0.06 | 0.06 | — | — |
| 93.25 | 1.20 | 1.21 | 1.17 | — | 0.01 | 0.09 | 0.22 | — |
| 92.50 | 0.95 | 1.02 | 0.98 | — | 0.02 | 0.12 | 0.28 | — |
| 92.75 | 0.74 | 0.83 | 0.80 | — | 0.05 | 0.18 | 0.35 | — |
| 93.00 | 0.54 | 0.65 | 0.65 | — | 0.10 | 0.26 | 0.45 | — |
| 93.25 | 0.36 | 0.49 | 0.51 | — | 0.17 | 0.35 | 0.56 | — |
| 93.50 | 0.22 | 0.35 | 0.39 | — | 0.28 | 0.47 | 0.68 | — |

Previous day's open int. Calls 503, Puts 830. Volume —

### LONDON

#### 20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 121-17 | 122-10 | 121-08 | 122-05 |
| Dec | 121-10 | 121-25 | 121-14 | 121-28 |
| March | 121-02 | — | — | 121-22 |
| June | 120-30 | — | — | 121-18 |

Estimated volume 5,244 (8,686). Previous day's open int 20,886 (20,638). Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds).

#### 10% NOTIONAL SHORT GILT

£100,000 64ths of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 101-65 | 102-04 | 101-62 | 102-07 |

Estimated volume 97 (115). Previous day's open int 962 (982)

#### THREE-MONTH STERLING

£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 90.88 | 90.92 | 90.86 | 90.90 |
| Dec | 90.86 | 90.96 | 90.87 | 90.98 |
| March | 90.75 | 90.85 | 90.83 | 90.85 |
| June | 90.53 | — | — | 90.63 |
| Sept | 90.39 | — | — | 90.45 |

Estimated volume 7,884 (1,514). Previous day's open int 15,467 (15,382)

#### FT-SE 100 INDEX

£25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 164.05 | 164.16 | 163.90 | 164.10 |
| Sept | 166.35 | 166.50 | 166.50 | 166.90 |
| Dec | 170.55 | — | — | 169.10 |

Estimated volume — (—). Previous day's open int — (2,282)

#### THREE-MONTH EURODOLLAR

$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 93.44 | 93.46 | 93.43 | 93.40 |
| Dec | 93.39 | 93.41 | 93.36 | 93.32 |
| March | 93.20 | 93.20 | 93.18 | 93.11 |
| June | 92.90 | 92.80 | 92.90 | 92.81 |
| Sept | 92.60 | 92.68 | 92.58 | 92.51 |
| Dec | 92.31 | — | — | 92.22 |
| March | 92.04 | — | — | — |

Estimated volume 2,869 (4,031). Previous day's open int 17,278 (17,456)

#### US TREASURY BONDS

8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 99-15 | 99-22 | 99-09 | 99-01 |
| Dec | 98-26 | 99-18 | 98-18 | 98-10 |

Estimated volume 3,845 (7,088). Previous day's open int 3,561 (3,020)

### CHICAGO

#### US TREASURY BONDS (CBT)

8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 99-15 | 99-24 | 99-11 | 99-04 |
| Dec | 98-21 | 98-30 | 98-18 | 98-11 |
| March | 97-28 | 98-04 | 97-27 | 97-18 |
| June | 97-04 | 97-10 | 97-04 | 96-26 |
| Sept | 96-14 | 96-19 | 96-14 | 96-04 |
| Dec | 95-25 | 95-29 | 95-26 | 95-14 |
| March | — | — | — | 94-27 |
| June | — | — | — | 94-10 |
| Sept | — | — | — | 93-26 |
| Dec | 93-25 | 93-29 | 93-25 | 93-10 |
| March | — | — | — | 92-26 |

#### US TREASURY BILLS (IMM)

$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.35 | 94.42 | 94.33 | 94.35 |
| Dec | 94.44 | 94.44 | 94.40 | 94.36 |
| March | 94.30 | 94.30 | 94.26 | 94.25 |
| June | 94.05 | 94.08 | 94.02 | 93.96 |
| Sept | 93.77 | 93.78 | 93.75 | 93.69 |
| Dec | 50.52 | 93.54 | 93.52 | 93.45 |
| March | 93.26 | 93.28 | 93.26 | 93.18 |

#### CERT. DEPOSIT (IMM)

$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 93.80 | 93.80 | 93.80 | 93.73 |
| Dec | — | — | — | 93.62 |
| March | — | — | — | 93.14 |
| June | — | — | — | 93.65 |

#### THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 93.45 | 93.44 | 93.43 | 93.41 |
| Dec | 93.38 | 93.40 | 93.35 | 93.32 |
| March | 93.20 | 93.20 | 93.17 | 93.11 |
| June | 92.80 | 92.90 | 92.87 | 92.81 |
| Sept | 92.57 | 92.59 | 92.56 | 92.49 |
| Dec | 92.27 | 92.28 | 92.27 | 92.19 |
| March | 91.99 | 91.99 | 91.88 | 91.91 |
| June | 91.72 | 91.72 | 91.72 | 91.66 |

### CURRENCY FUTURES

#### POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5325 | 1.5282 | 1.5212 | 1.5111 | 1.4831 |

#### IMM—STERLING Se per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.5245 | 1.5310 | 1.5225 | 1.5245 |
| Dec | 1.5140 | 1.5205 | 1.5140 | 1.5156 |
| March | 1.5030 | 1.5100 | 1.5030 | 1.5030 |

#### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.5240 | 1.5285 | 1.5200 | 1.5174 |
| Dec | 1.5137 | — | — | 1.5079 |
| March | 1.5040 | — | — | 1.4984 |

Estimated volume 46 (42). Previous day's open int 1,116 (1,155)

## MONEY MARKETS

# Slightly firmer in London

UK clearing bank base lending rate, 10 per cent since May 22

Interest rates were slightly firmer, in quiet trading on the London money market. Three-month interbank rose to 9$\frac{13}{16}$-9$\frac{11}{16}$ per cent from 9$\frac{5}{8}$-9$\frac{1}{2}$ per cent.

The Bank of England initially forecast a market shortage of £1,350m, but changed this to £1,300m before lunch, and to £1,400m in the afternoon. Total help of £1,368m was provided. An early round of assistance of £858m was given, when the authorities bought £13m bank bills outright, by way of £1m in band 1 at 9$\frac{7}{8}$ per cent, and £12m in band 2 at 9$\frac{13}{16}$ per cent. Another £845m bills were purchased for resale to the market on July 10 at 10$\frac{1}{4}$-10$\frac{5}{16}$ per cent.

A further £254m bank bills were bought outright before lunch, through £75m in band 1 at 9$\frac{7}{8}$ per cent; £158m in band 2 at 9$\frac{13}{16}$ per cent; and £21m in band 3 at 9$\frac{3}{4}$ per cent. In the afternoon £241m bank bills were purchased outright, by way of £234m in band 2 at 9$\frac{13}{16}$ per cent; and £7m in band 3 at 9$\frac{3}{4}$ per cent. Late assistance of around £15m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,583m, with Exchequer transactions absorbing £40m, and bank balances below target £45m. These outweighed a fall in the note circulation adding £320m to liquidity.

In Frankfurt call money rose to 5 per cent from 4.375 per cent, as money market conditions became more difficult at the end of the month. Credit was in particularly short supply, because it was also the end of the half year, driving call rates up to 5.5 per cent in places, the level of the Bundesbank's Lombard rate. As expected the authorities offered a securities repurchase agreement, to replace an earlier agreement of DM 9bn, expiring tomorrow but there was some surprise the Bundesbank set a two part tender, for 35 days at a fixed rate of 4.35 per cent, and for 63 days at a minimum rate of 4.30 per cent. The minimum bid tender is regarded as a move to give commercial banks more leeway in setting rates, but in spite of the Bundesbank calling a press conference after this Thursday's regular council meeting no change in the discount rate is expected, although a cut in the Lombard rate is not ruled out.

### NEW YORK RATES

(Lunchtime)

| | |
|---|---|
| Prime rate | 8½ |
| Broker loan rate | 0 |
| Fed funds | 7⅛ |
| Fed funds at intervention | 7⅛ |

**Treasury Bills & Bonds**

| | |
|---|---|
| One-month | 5.82 |
| Two-month | 6.01 |
| Three-month | 6.12 |
| Six-month | 6.20 |
| One-year | 6.39 |
| Two-year | 6.81 |
| Three-year | 6.98 |
| Four-year | 7.13 |
| Five-year | 7.24 |
| Seven-year | 7.31 |
| 10-year | 7.35 |
| 30-year | 7.25 |

### FT LONDON INTERBANK FIXING

(11.00 a.m. June 30)

| Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 6¾ | Offer 6⅞ | bid 6¾ | Offer 6⅞ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| June 30 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 10-13 | 10⅛-10½ | 10-10¼ | 9¾-9$\frac{11}{16}$ | 9$\frac{5}{8}$-9½ | 9$\frac{7}{16}$-9⅜ |
| Sterling CDs | — | — | 10-10⅛ | 9$\frac{3}{4}$-9$\frac{11}{16}$ | 9⅝-9½ | 9⅜-9¼ |
| Local Authority Depos | 10⅛-10¼ | 10⅛-10⅛ | 10-10⅛ | 9¾-9$\frac{13}{16}$ | 9⅝ | 9½ |
| Local Author'y Bonds | — | — | 10$\frac{1}{16}$ | 10$\frac{1}{16}$ | 10 | 10 |
| Discount Mkt Depos | 10-11 | 10⅛-10⅛ | 9¾ | 9¼ | — | — |
| Company Depos | 10⅜-11⅛ | 10¼-10⅜ | 10⅛-10¼ | 9⅞ | — | — |
| Finance House Depos | — | — | 10⅛ | 9⅞ | 9¾ | 9½ |
| Treasury Bills (Buy) | — | — | 9½ | 9⅜ | — | — |
| Bank Bills (Buy) | — | — | 9$\frac{13}{16}$ | 9$\frac{11}{16}$ | 9⅛ | — |
| Fine Trade Bills (Buy) | — | — | 10$\frac{1}{16}$ | 10$\frac{1}{16}$ | 9¾ | — |
| Dollar CDs | — | — | 6.85-6.90 | 6.9-6.95 | 6.95-7.00 | 7.10-7.15 |
| SDR Linked Depos | — | — | 6$\frac{5}{16}$-6$\frac{3}{16}$ | 6¼-6⅛ | 6¼-6⅛ | 6$\frac{5}{16}$-6⅛ |
| ECU Depos | — | — | 7⅜-7¼ | 7$\frac{5}{16}$-7$\frac{3}{16}$ | 7¼-7⅜ | 7¼-7⅜ |

Treasury Bills (sell): one-month 9$\frac{11}{32}$ per cent; three months 9$\frac{9}{32}$ per cent. Bank Bills (sell): one-month 9$\frac{23}{32}$ per cent; three months 9$\frac{5}{16}$ per cent. Treasury Bills: Average tender rate at discount 9.3023 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series B): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 25. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 5½ per cent.

### MONEY RATES

| June 30 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard Int'v'tn |
|---|---|---|---|---|---|---|
| Frankfurt | 4.50-5.50 | 4.50-4.55 | 4.45-4.50 | 4.45-4.60 | 4.50-4.65 | 0.0 |
| Paris | 7⅝ | 7¼-7¼ | 7⅛-7¼ | 7⅛-7¼ | 7⅛-7¼ | 7 |
| Zurich | ⅞-1⅛ | 0.5⅛ | — | 5 5⅛ | — | — |
| Amsterdam | 0¼-0⅜ | 0¼-6⅜ | — | 6½-6¾ | — | — |
| Tokyo | 4.65625 | 4.65690 | — | 4.71875 | — | — |
| Milan | 12⅝-12⅞ | 12⅛-12⅞ | — | 11⅞-12¼ | — | — |
| Brussels | — | 2.90 | — | 7⅜-7¼ | — | — |
| Dublin | — | 9⅛-9⅞ | 9⅛-9⅞ | 9⅛-9⅞ | 9⅛-9⅞ | — |



## Plant and Machinery



# £ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 30, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

| COUNTRY | CURRENCY | VALUE OF £ STERLING | COUNTRY | CURRENCY | VALUE OF £ STERLING | COUNTRY | CURRENCY | VALUE OF £ STERLING |
|---|---|---|---|---|---|---|---|---|
| Afghanistan | Afghani | 77.00 | Ghana | Cedi | 157.97 | Panama | Balboa | 1.5325 |
| Albania | Lek | 10.24 | Gibraltar | Gibraltar £ | 1.0 | Papua New Guinea | Kina | 1.4798 |
| Algeria | Dinar | 7.53 | Greece | Drachma | 215.43 | Paraguay | Guarani | 368.35 (10) / 1043.66 (7) |
| Andorra | French Franc / Spanish Peseta | 10.7575 / 215.01 | Greenland | Danish Krone | 12.5125 | Peru | Intl | exc(A)21.40(16) |
| Angola | Kwanza | 45.22 | Grenada | E. Caribbean $ | 4.15 | Philippines | Philippine Peso | 32.00 |
| Antigua | E. Caribbean $ | 4.15 | Guadaloupe | Local Franc | 10.7575 | Pitcairn Islands | £ Sterling / New Zealand $ | — / 2.7990 |
| Argentina | Austral | 1.3513 | Guam | U.S. $ | 1.5325 | Poland | Zloty | 249.58 |
| Aruba | Florin | 2.7585 | Guatemala | Quetzal | 1.5325 | Portugal | Escudo | 227.95 |
| [illegible] | [illegible] | [illegible] | Guinea | Franc | 522.58 (19) | [illegible] | [illegible] | [illegible] |

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1986 High | Low | Stock | Price £ | + or - | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| [illegible] | 100½ | Exch. 14pc 1986 | 101⅛ | ..... | 13.81 | 9.40 |
| [illegible] | 94⅞ | Exch. 2½pc 1986 | 98 | -1/16 | 2.55 | 7.71 |
| [illegible] | 100¼ | Exch. 13¼pc 1987 | 102xd | -1/16 | 12.99 | 9.47 |
| [illegible] | 97 | Treas 10½pcCv '87 | 100 | -1/16 | 10.22 | 9.50 |
| [illegible] | 92 | Exch 2½pc 1987 | 96¾ | ..... | 2.58 | 7.47 |
| [illegible] | 97¼ | Exch. 10½pc 1987 | 100 | -⅛ | 10.42 | 9.47 |
| [illegible] | 93⅝ | Funding 6½pc '85-87‡‡ | 98 | ..... | 6.63 | 9.06 |
| [illegible] | 96 | Treas. 10pc 1987 | 100½ | -⅛ | 9.95 | 9.41 |
| [illegible] | 90⅞ | Treas 3pc 1987 | 95 xd | -1/16 | 3.14 | 7.14 |
| [illegible] | 99⅝ | Treas. 12pc 1987 | 103⅛ | -3/16 | 11.64 | 9.39 |
| [illegible] | 92 | Treas 7¾pc 1985-88‡‡ | 97 xd | -⅛ | 7.92 | 9.18 |
| 104 | 96⅝ | Exch 10½pc '88 | 102 | -3/16 | 10.28 | 9.23 |
| 102 | 95⅛ | Treas 9½pc Cv '88 | 100¾ | -7/16 | 9.68 | 9.31 |
| 94 | 86⅝ | Transport 3pc '78-88 | 92 xd | -3/16 | 3.27 | 7.20 |
| 102 | 93 | Treas. 9½pc '88 | 100⅛ | -⅛ | 9.47 | 9.31 |
| 107 | 98 | Treas 11½pc 1989 | 104 | -3/16 | 10.96 | 9.35 |
| 103½ | 93¼ | Treas 9½pc Cnv. '89 | 100 | -⅛ | 9.43 | 9.15 |
| 92 | 82 | Treas 3pc 1989 | 89⅞ | -⅛ | 3.33 | 6.89 |
| 105 | 95 | Treas 10½pc 1989 | 103 | -3/16 | 10.19 | 9.28 |
| 104 | 94 | Exch.10pc 1989 | 101 xd | -⅛ | 9.81 | 9.28 |
| 107 | 97 | Exch 11pc 1989 | 104 | -⅛ | 10.50 | 9.15 |
| 93 | 84½ | Treas 5pc 1986-89 | 91¼ | -⅛ | 5.47 | 7.89 |
| 110 | 94⅝ | Exch 10¼pcCv '89 | 105¼ | -⅛ | 9.20 | 8.22 |
| 114 | 103 | Treas 13pc 1990‡‡ | 111¼xd | -½ | 11.70 | 9.16 |
| [illegible] | 97¼ | Exch 11pc 1990‡‡ | 105 | -⅛ | 10.46 | 9.25 |
| [illegible] | 101 | Exch. 12½pc 1990 | 110 | -½ | 11.37 | 9.22 |
| [illegible] | 79⅝ | Treas. 3pc 1990 | 87 | -3/16 | 3.43 | 6.59 |
| 100 | 89⅝ | Treas 8¼pc 1987-90‡‡ | 97 | -3/16 | 8.44 | 8.92 |
| [illegible] | 93 | Treas. 10pcCv 1990 | 102 | -½ | 9.72 | 9.16 |
| [illegible] | 76½ | Exch 2½pc 1990 | 85 | -⅛ | 2.95 | 6.42 |
| 112 | 99 | Treas 11¾pc 1991 | 109 xd | -½ | 10.75 | 9.17 |
| [illegible] | 83 | Funding 5¾pc '87-91‡‡ | 95 | -⅛ | 6.19 | 7.54 |
| [illegible] | 85⅛ | Treas. 3pc 1991● | 85⅝ | ..... | 3.50 | 6.46 |

### Five to Fifteen Years

| 1986 High | Low | Stock | Price £ | + or - | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| [illegible] | 96 | Exch. 11pc 1991 | 107⅝ | -½ | 10.21 | 9.11 |
| [illegible] | 105⅝ | Treas 12¾pc 1992‡‡ | 114⅞xd | -½ | 11.10 | 9.26 |
| [illegible] | 92 | Treas 10pc 1992 | 103⅛ | -⅛ | 9.67 | 9.21 |

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

### Index-Linked

[illegible]

### INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

#### Building Societies

[illegible]

#### Public Board and Ind.

[illegible]

#### Financial

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

### AMERICANS

[illegible]

### AMERICANS—Cont.

[illegible]

### CANADIANS

[illegible]

### BANKS, HP & LEASING

[illegible]

#### Hire Purchase, Leasing, etc.

[illegible]

### BEERS, WINES & SPIRITS

[illegible]

### BUILDING, TIMBER, ROADS

[illegible]

### BUILDING, TIMBER, ROADS—Cont.

[illegible]

### CHEMICALS, PLASTICS

[illegible]

### DRAPERY AND STORES

[illegible]

### DRAPERY & STORES—Cont.

[illegible]

### ELECTRICALS

[illegible]

### ENGINEERING

[illegible]

### ENGINEERING—Continued

[illegible]

### FOOD, GROCERIES, ETC

[illegible]

### HOTELS AND CATERERS

[illegible]

### INDUSTRIALS (Miscel.)

[illegible]

### INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INSURANCES

LEISURE

PROPERTY

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

Finance, Land, etc

Miscellaneous

| High | Low | Stock | Price | + or - | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 42 | 26 | Anglo Utd Dev | 28 | .... | d1.05 | ♦ | 5.4 |
| 80 | 45 | ♥Colby Res Corp. | 45 | -10 | — | — | — |
| 300 | 160 | Cons. Murch. 10c | 165 | .... | Q100c | ♦ | 15.2 |
| 34 | 28 | ♦Ennex Int. Ir10p | 30 | -3 | — | — | — |
| 102 | 70 | Greenwich Res | 97 | . | — | — | — |
| 157 | 95 | Hampton Areas 10p | 153 | +1 | ♦1.0 | — | 0.9 |
| 250 | 165 | ♥Highwood Res | 230 | -7 | — | — | — |
| £19¼ | £13⅞ | Homestake Mining $1 | £14¼ | -¼ | Q20c | — | 1.0 |
| 310 | 175 | ♥McFinley Red Lake | 198 | -10 | — | — | — |
| 285 | 195 | ♥Mosto Explorations | 210 | .... | — | — | — |
| 51 | 33 | ♥New Sabina Res C$1 | 36 | .... | — | — | — |
| 360 | 207 | Northgate C$1 | 210 | .... | — | — | — |
| 798 | 513 | RTZ | 682 | +2 | 22.0 | 2.8 | 5.1 |
| £164 | £115 | Do.9½pcLn'95-2000 | £133 | .... | Q9½% | 15.5 | 17.4 |
| 950 | 800 | ♥Yara Expln $1 | 875 | .... | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ¤ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ƒ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- n No par value

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Provincial and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or - | Stock | Price | + or - |
|---|---|---|---|---|---|
| Albany Inv 20p | 150 | ..... | Fin 13% 97/02 | £122⅞ | ..... |
| Craig & Rose £1 | £13 | ..... | Arnotts | 317 | ..... |
| Finlay Pkg. 5p | 43 | ..... | CPI Hldgs | 43 | ..... |
| Holt (Jos.) 25p | 800 | ..... | Carrol Inds | 137xd | ..... |
| IoM Stm. £1 | 87 | ..... | Dublin Gas | 53 | ..... |
| | | | Hall (R & H) | 72 | ..... |
| IRISH | | | Heiton Hldgs. | 30 | -2 |
| Fund 11¼% 1988 | £103⅛ | ..... | Irish Ropes | 109xd | ..... |
| Nat. 9¾% 84/89 | £80⅝xd | +4⅞ | Unidare | 198 | ..... |

"Recent Issues" and "Rights" Page 39
(International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

# LONDON STOCK EXCHANGE

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| June 16 | June 26 | June 27 | July 7 |
| June 30 | July 10 | July 11 | July 21 |
| July 14 | July 24 | July 25 | Aug 4 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

## Slow early advance gains momentum and equities close at day's best

Leading shares edged forward slowly on the opening session of a new trading Account in London yesterday. Turnover remained moderate with situation stocks and shares recommended in the weekend Press columns claiming most attention. Many current takeover favourites benefited from early confirmation of last week's reports that Grattan was to merge with Next. A scheme has been agreed whereby Next is offering share exchange terms, or a cash alternative, for Grattan. The latter rose sharply to close 78 up at 532p, after 543p, while Next fell 10 to 252p.

The lack of any apparent selling activity was an underpinning influence for blue chip issues, which gained little help from Wall Street's continued buoyancy. Cash funds appeared to be more edequate but institutional operators again maintained a highly selective approach to investment. Some 14m nil-paid shares of NatWest resulting from the recent rights issue were easily placed at an average new price of 300½p.

Private client business was also light but the tone improved and the FT indices progressed throughout the session to close at the best. The FT Ordinary share settled 12.7 up at 1,367.1 and the FT-SE 100 share ended 10.7 higher at 1,649.8. From midday onwards trade was said to be particularly thin, although the pace of the advance quickened noticeably.

Growing US confidence about a cut shortly in the Federal Reserve Board discount rate failed to cheer London money markets following last week's warning from the Bank of England on UK interest rates. The usual inconclusive outcome of the meeting of Opec producers was another non-event.

Sterling strengthened further as the dollar took a fresh beating but Gilt-edged operators were not impressed. Worries over the authorities' apparent haste to fund—the £450m of stock issued late on Friday raised the total to over £1bn in eight days—deterred potential buyers. The prospect of base rates remaining high for longer than recently envisaged was another dampener and in an overstocked market longer maturities fell a point. The shorts sustained losses ranging to ½ but index-linked steadied after Friday's marked decline.

### Mercury Intl. rise

A satisfactory set of interim results stimulated Mercury International which moved ahead strongly to close a net 38 up at 853p. Kleinwort Benson rose 30 to 845p in sympathy, while Hambros advanced 20 to 248p xd. Joseph Leopold were 20 higher at 520p following the annual results, while J. Rothschild gained 7 to 131p awaiting today's preliminary figures. Elsewhere in the Banking sector, First National Finance hardened 3 to 208p following the interim statement, while Combined Lease Finance gained 10 to 135p in reply to Press comment. The major clearers made modest progress in light trading, but NatWest settled a shade cheaper at 519p as the rump of the rights issue was placed yesterday.

Composite Insurances moved higher under the lead of General Accident, finally 20 up at 842p. GRE rose 17 to 892p. Life Issues made progress helped by favourable comment, Abbey Life firming 4 to 186p and Legal and General 6 to 276p.

Compression presses manufacturer Bipel made a quiet debut in the Unlisted Securities Market, the shares opening at 38p and closing et 39p compared with the placing price of 37½p. Shipbroking and financial services company Horace Clarkson were introduced to the market yesterday and the shares advanced from an opening level of 79p to 98p before the close of 95p.

Leading Buildings made steady progress and closed on a distinctly firm note. Rises of 10 were common to Taylor Woodrow, 338p, and BPB Industries, 520p xd, whilB similar gains encompassed Blue Circle, 638p, and Barratt Developments, 148p. Buyers also favoured George Wimpey which moved up 6 to 210p and Bellway, finally 9 to the good at 184p. Elsewhere, Manders attracted renewed speculative buying interest and gained 11 to 306p, while Raine Industries, still awaiting the outcome of merger talks with an unnamed private concern, put on 7 to 75p. The return to profitability boosted Wiggins 12 to 83p, while demand in a restricted market lifted Sheffield Brick 6 to 28p. Travis and Arnold found support at 418p, up 10 and Walter Lawrence firmed 6 to 107p.

Easier initially on currency considerations, ICI staged a late rally to close ½ higher on the day at £10$\frac{1}{16}$. Among other Chemicals, Laporte picked up 5 at 380p and Allied Colloids improved 6 to 190p. James Halstead attracted support following Press comment and put on 6 to 155p.

### Mail-orders buoyant

Proceedings among Stores again centred on Mail-order houses. Grattan—up 52 last week amid often sizeable speculative buying—spurted another 78 to 532p following the agreed share-exchange offer from Next, 10 cheaper at 252p, after 249p. Sympathetic response was evident in Freemans, 438p, and Empire, 210p, up 20 and 8 respectively, while other related counters to improve included N. Brown Investments, 35 dearer at 645p, and Fine Art Developments, 3 firmer at 165p.

Elsewhere, interest was generally at a low ebb, although dealers reported a firmer tone after-hours. Burton put on 8 to 292p, while Sears revived and hardened 4 to 128p. Marks and Spencer closed 6 higher at 203p. In contrast, Woolworth fell 35 to 695p reflecting widespread views that the unwelcome offer from Dixons will prove to be unsuccessful. Dixons eased a few pence to 332p; the offer closes tomorrow. Secondary Stores usually held close to pre-weekend positions with the exception of Wigfalls which advanced 15½ to 153p xd amid renewed bid chatter.

Apart from a gain of 6 to 222p in GEC ahead of today's preliminary statement, leading Electricals rarely strayed from previous closing levels. Elsewhere, Rotaflex advanced 28 to 483p awaiting further bid developments, but fresh nervous offerings in front of the annual results expected on July 14 left United Leasing down 25 more at 165p. Goring Kerr, in contrast, rallied 30 to 390p, while demand persisted for Kode, up 25 further at 235p, in anticipation of today's preliminary statement. Other bright spots included Logica, 190p, and Eurotherm, 310p, up 10 apiece. Audiotronic hardened ½ to 12½p on the reduced annual loss.

Among the Engineering leaders, Vickers, 472p, and Hawker, 563p, both edged up a few pence, but GKN drifted off to close 5 cheaper at 368p. Elsewhere, demand continued for TI which gained 18 to 557p, while Davy Corporation, scheduled to reveal preliminary figures on Thursday, put on 5 to 112p. Still reflecting the recent annual results, Wellman rose 3 further to 37p. Glynwed were again supported at 340p, up 6, while occasional demand left Birmid 5 dearer at 145p.

Foods recorded several noteworthy movements, although business overall remained fairly low-key. Cadbury Schweppes finished 4 dearer at 187p as the company revealed details of a Euro-Commercial Paper Programme amounting to some US$200m, while Tate and Lyle moved np 7 to 610p. Associated British Foods were a firm market in reply to Press comment and gained 10 to 322p xd, while Northern Foods rose 6 to 298p awaiting today's preliminary results. Bejam continued to reflect bid rumours and touched 183p before profit-taking left the close only a couple of pence dearer at 177p. Barker and Dobson gained 1½ to 17½p following speculative demand, while Cheshire Wholefoods gained 22 to 201p xd in response to favourable Press comment. Grand Metropolitan edged up 5 to 416p, while Trusthouse Forte, interim figures due tomorrow, firmed 4 to 170p.

### Pilkington advance

The majority of movements in the miscellaneous industrial leaders were limited to a few pence either way, but Pilkington encountered buyers and put on 14 to 425p, while Trafalgar House edged up 6 to 296p and Beecham continued to make progress at 430p, up 9. Elsewhere, Pearson, the subject of renewed speculative demand, put on 23 to a new high for the year of 558p. British Aerospace revived with a gain of 19 at 535p, while persistent demand lifted Tiphook 30 to 310p. Keep advanced 15 to 310p with the aid of a newsletter recommendation, while Press mention left P. and W. MacLellan 13 dearer at 78p and Cannon Street 5 higher at 129p. Buyers showed interest in Hepworth Ceramic, which gained 9 to 213p, but Blue Arrow encountered profit-taking after the preliminary figures and gave up 9 to 387p. Speculative activity lifted T. Marshall Loxley 10 to 120p and Christies International 5 more to 315p. Bodycote were noteworthy for a fresh gain of 15 at 330p. Valor firmed 5 to 271p following the annual report, but lower annual earnings prompted a reaction of 4 to 36p in Widney.

TV South rose 15 to 278p as the company revealed interim profits well in excess of market estimates.

Jaguar attracted fresh US support despite the strength of sterling and rose another 8 to 548p; the shares were heavily supported last week with sentiment aided by a chart "buy" signal. Elsewhere, truck manufacturers ERF, sharply better recently following the impressive profits recovery, touched 90p before settling 5 up on balance at 83p. Components featured Lucas which put on 8 to 606p after Press mention, while Dowty were also wanted and rose 5 to 233p. Hopes of further rationalisation in the sector stimulated substantial "call" option activity among Distributors. Appleyard met late support and advanced 15 to 145p, while Hartwells, additionally buoyed by an investment recommendation, closed 6 higher at 100p. Revived demand in a market short of stock lifted H. and J. Quick 6 for a two-day gain of 18 to 92p. BSG closed 2½ to the good at 52p following the company's confidence expressed at the annual meeting. Western Motor, still eagerly anticipating the property revaluation, improved 13 to 238p with the "A" shares 7 up at 185p.

Persistent demand in front of the forthcoming first-half figures lifted Associated Newspapers another 10 to 358p. Vague takeover rumours prompted revived interest for Bristol Evening Post, finally 50 to the good at 700p; the annual results are scheduled for July 18. Advertising agencies highlighted Wight Collins Rutherford Scott which attained a new peak of 545p before settling a net 23 up at 540p in response to a newsletter recommendation.

Favourable weekend Press comment encouraged demand for Land Securities which closed 7 up at the day's best of 346p. MEPC were also a firm market and rose 8 to 355p. Elsewhere in the Property sector, Abaco attracted renewed speculative buying and gained 7 to 75p, while demand of a similar nature left Five Oaks 6 higher at 62p. Buyers returned for Marler Estates, up a further 20 at 500p, while Press comment boosted Egerton Trust 12 to 110p. Estates and Agency attracted support in a restricted market ahead of today's annual results and rose 10 to 170p.

Courtaulds led Textiles higher, rising 6 more to 306p on further consideration of the chairman's statement and the apparent success of the latest presentation to analysts. Lister rose 6 to 98p awaiting the preliminary results, while a newsletter recommendation lifted Atkins Brothers 13 to 273p. Fresh speculative support was noted for Towles "A" and Sanderson Murray and Elder, up 7 apiece to 95p and 100p respectively.

The OPEC meeting in Brioni came to an end with no official agreement on output quotas bnt members announced they are to meet aagin in Geneva on July 28 following consultations with governments. Oil prices were a shade easier and leading Oil shares showed minor changes in either direction. BP proved an exception and rose 8 to 593p following the statement by the company's group treasurer to a meeting of analysts in Zurich that BP's second quarter results will be a "pleasant surprise" to shareholders. Burmah edged up 3 to 411p.

Second-line oils provided firm features in Cluff Oil, finally 4 up at 36p, after equalling the 1986 high of 40p, and Premier, 4½ firmer at 28½p, both in response to favourable Press mention. Sovereign Oil and Gas held around 30p ex-rights with the "new" finally quoted at 3p premium. Steaua Romana were unaltered at 15p despite news of the £2.86m rights issue of Convertible stock.

The failure of the EEC heads of government to agree on a package of economic sanctions against South Africa at the meeting in The Hague last week—a further EEC review of the situation will follow the visit of Sir Geoffrey Howe to the Republic towards the end of July—prompted a modest rally in South African gold and related issues. Sentiment in the sector was additionally boosted by an upturn in the bullion price, which improved to around $346.75 an ounce during the afternoon, and a stable performance by the Financial Rand, which was trading in the region of 23.5 cents towards the close.

Business in Golds was described as extremely thin and prices edged higher at the outset in the wake of persistent small support believed to have emanated from Johannesburg. Further closing of short positions was said to have been the major reason for widespread small gains in the sector. The Gold Mines index posted a rise of 4.0 et 202.5, despite numerous constituents being quoted "ex" the June dividends; in "cum" dividend terms the index put on 7.4 to 205.9.

South African Financials mirrored the general advance by Golds and Anglo American Corporation added 27½ at 715p xd, while Gencor put on 32 to 710p xd. Consolidated Gold Fields performed well in UK-domiciled Financials, improving 22 to 452p reflecting a mixture of vague takeover rumours and "cheap" buying. RTZ hardened a shade to 602p.

The recent poor showing by Australian mines continued in overnight domestic markets—the final session of the Australian financial year. Consequently prices opened lower in London and thereafter moved narrowly in either direction. CRA slipped back 6 more to 260p and Western Mining eased 3 to a 1986 low of 127p. MIM were a similar amount off at a low of 87p. Golds showed Central Norseman 17 down at 325p. The more speculative issues included a firm spot in York Resources, aggressively bought overnight, which edged up 2½ to 10½p.

Business in Traded Options started the week on an encouraging note. Total contracts struck amounted to 20,475 — 15,170 calls and 5,305 puts. British Petroleum attracted 1,393 calls, while Courtaulds were also in demand with just over 1,000 calls transacted. GEC recorded 1,075 calls and 184 puts ahead of today's full-year figures.

## FINANCIAL TIMES STOCK INDICES

| | June 30 | June 27 | June 26 | June 25 | June 24 | year ago | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 90.34 | 90.84 | 90.84 | 90.99 | 90.68 | 81.92 | 94.51 (18/4) | 80.39 (20/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 96.71 | 96.95 | 96.92 | 96.69 | 96.68 | 86.67 | 97.51 (22/4) | 86.55 (23/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1367.1 | 1354.4 | 1353.1 | 1344.8 | 1339.9 | 952.5 | 1425.9 (3/4) | 1094.3 (14/1) | 1425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 202.5† | 198.5 | 202.1 | 193.5 | 203.7 | 420.8 | 357.0 (27/1) | 192.3 (12/6) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.04 | 4.08 | 4.09 | 4.11 | 4.12 | 4.87 | | | | |
| Earnings Yld.% (full) | 9.69 | 9.77 | 9.79 | 9.86 | 9.89 | 12.20 | | | | |
| P/E Ratio (net) (*) | 12.56 | 12.46 | 12.43 | 12.35 | 12.31 | 10.01 | | | | |
| Total Bargains (Est) | 23,418 | 26,420 | 23,845 | 23,116 | 24,575 | 22,190 | | | | |
| Equity Turnover £m. | — | 666.58 | 634.88 | 531.05 | 479.02 | 288.20 | | | | |
| Equity Bargains | — | 26,054 | 23,219 | 20,690 | 20,784 | 20,212 | | | | |
| Shares Traded (ml). | — | 293.9 | 270.4 | 221.4 | 191.6 | 184.1 | | | | |

**S.E. ACTIVITY**

| Indices | June 27 | June 26 |
|---|---|---|
| Gilt Edged Bargains | 117.3 | 114.0 |
| Equity Bargains | 168.8 | 150.4 |
| Equity Value | 1347.3 | 1283.2 |
| 5-Day Average | | |
| Gilt Edged Bargains | 123.1 | 123.6 |
| Equity Bargains | 147.3 | 141.9 |
| Equity Value | 1170.7 | 1138.8 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| — | 1356.3 | 1356.9 | 1356.8 | 1359.0 | 1359.4 | 1360.8 | 1362.3 |

Day's High 1367.1. Day's Low 1353.7 †Cum. div. 205.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.12.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## EUROPEAN OPTIONS EXCHANGE

| Series | | Vol. | Last | Vol. | Last | Vol. | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

TOTAL VOLUME IN CONTRACTS: 24,033

A=Ask B=Bid C=Call P=Put

## TRADITIONAL OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| June 23 | July 4 | Sept 25 | Oct 6 |
| July 7 | July 18 | Oct 9 | Oct 20 |
| July 21 | Aug 1 | Oct 23 | Nov 3 |

*For rate indications see end of Unit Trust Service*

Call options were taken out in Brengreen, Lloyds Bank, Egerton Trust, Atkins Bros (Hosiery), Amstrad, British Telecom, Burnett and Hallamshire, Callyns, BSG International, Britannia Security, STC, Fobel International, Raine Industries, Lister, Berkeley and Hay Hill, Western Selection, Wigfalls, Appleyard, Western Motor, Wheway Watson and Sheraton Securities. No puts or doubles were reported.

## FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of changes | Fri. close | Day's change | Stock | No. of changes | Fri. close | Day's change |
|---|---|---|---|---|---|---|---|
| Beecham | 33 | 421 | +15 | Bejam | 22 | 175 | +9 |
| Standard Chart | 30 | 793 | +5 | Blue Arrow | 22 | 396 | +16 |
| Grattan | 28 | 464 | +22 | Western Motor | 23 | 225 | +42 |
| Helical Bar | 27 | 240 | +14 | Hestair | 20 | 182 | −3 |
| Woolworth | 26 | 730 | −33 | Metal Closures | 19 | 140 | +5 |
| Raine Inds | 24 | 68 | −2 | Sound Diffsn. | 19 | 36½ | +2½ |

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change | Stock | Closing price | Day's change |
|---|---|---|---|---|---|
| Bejam | 177 | +2 | Egerton Trust | 110 | +12 |
| Blue Arrow | 387 | −9 | Grattan | 532 | +78 |
| Boots | 248 | +4 | Pearson | 558 | +23 |
| British Aerospace | 535 | +19 | Raine Industries | 75 | +7 |
| Buckley's | 106 | +1 | Woolworth | 695 | −35 |
| ERF | 83 | +5 | | | |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same | | Rises | Falls | Same |
|---|---|---|---|---|---|---|---|
| British Funds | 0 | 105 | 7 | Oils | 22 | 12 | 85 |
| Corpns Dom & Foreign Bonds | 2 | 25 | 25 | Plantations | 0 | 2 | 11 |
| Industrials | 443 | 233 | 829 | Mines | 54 | 24 | 107 |
| Financial & Props | 162 | 69 | 363 | Others | 59 | 70 | 115 |
| | | | | Totals | 742 | 538 | 1,560 |

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Fri June 27 Index No. | Thurs June 26 Index No. | Weds June 25 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (213) | 747.41 | +1.1 | [illegible] | | | | | | | |
| [illegible] | | | | | | | | | | |
| 99 ALL-SHARE INDEX (736) | 815.78 | +0.9 | [illegible] | | | | | | | |
| FT-SE 100 SHARE INDEX ♦ | 1649.8 | +10.7 | 1649.8 | 1637.2 | 1639.1 | 1637.5 | 1629.4 | 1629.8 | 1622.8 | 1266.6 |

## FIXED INTEREST

| PRICE INDICES | Mon June 30 | Day's change % | Fri June 27 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 5 years | 122.84 | −0.24 | 123.14 | — | 6.07 |
| 2 5-15 years | 142.03 | −0.59 | 142.87 | — | 6.98 |
| 3 Over 15 years | 149.19 | −0.72 | 150.27 | — | 7.29 |
| 4 Irredeemables | 167.87 | −0.46 | 168.65 | — | 7.27 |
| 5 All stocks | 137.99 | −0.50 | 138.69 | — | 6.75 |
| Index-Linked | | | | | |
| 6 5 years | 112.41 | — | 112.40 | — | 1.18 |
| 7 Over 5 years | 116.78 | −0.18 | 117.00 | — | 1.44 |
| 8 All stocks | 115.98 | −0.15 | 116.15 | — | 1.55 |
| 9 Debentures & Loans | 120.28 | +0.02 | 120.53 | 0.08 | 5.83 |
| 10 Preference | 86.91 | −0.24 | 87.35 | 0.23 | 3.58 |

**AVERAGE GROSS REDEMPTION YIELDS**

| | | Mon June 30 | Fri June 27 | Year ago (approx.) |
|---|---|---|---|---|
| British Government | | | | |
| 1 Low Coupons | 5 years | 7.81 | 7.75 | 10.29 |
| 2 | 15 years | 8.54 | [illegible] | [illegible] |
| 3 | 25 years | [illegible] | [illegible] | [illegible] |
| 4 Medium Coupons | 5 years | [illegible] | [illegible] | [illegible] |
| 5 | 15 years | [illegible] | [illegible] | [illegible] |
| 6 | 25 years | [illegible] | [illegible] | [illegible] |
| 7 High Coupons | 5 years | [illegible] | [illegible] | [illegible] |
| 8 | 15 years | [illegible] | [illegible] | [illegible] |
| 9 | 25 years | [illegible] | [illegible] | [illegible] |
| 10 Irredeemables | | 8.91 | 8.84 | 10.57 |
| Index-Linked | | | | |
| 11 Inflat'n rate 5% | 5 yrs | 4.19 | 4.09 | 0.0 |
| 12 Inflat'n rate 5% | Over 5 yrs | 3.67 | 3.66 | 0.0 |
| 13 Inflat'n rate 10% | 5 yrs | 3.31 | 3.20 | 0.0 |
| 14 Inflat'n rate 10% | Over 5 yrs | 3.31 | 3.30 | 0.0 |
| 15 Debs & Loans | 5 years | 9.97 | 9.93 | 11.88 |
| 16 | 15 years | 10.26 | 10.22 | 11.70 |
| 17 | 25 years | 10.32 | 10.29 | 11.50 |
| 18 Preference | | 10.54 | 10.54 | 12.35 |

♦Opening index 1637.2; 10 am 1639.2; 11 am 1640.5; Noon 1640.7; 1 pm 1642.1; 2 pm 1642.6; 3 pm 1644.4; 3.30 pm 1646.6; 4 pm 1647.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## NEW HIGHS AND LOWS FOR 1986

**NEW HIGHS (140)**

AMERICANS (5). BANKS (5). BREWERS (4). BUILDINGB (12). CHEMICAL (1). STORES (10). ELECTRICALS (5). ENGINEERING (5). FOODS (7). INDUSTRIALS (18). INSURANCE (7). LEISURE (4). MOTORS (8). NEWSPAPERS (3). PAPER (10). PROPERTY (9). SHIPPING (2). TEXTILES (7). TRUSTS (21). OILS (4). PLANTATIONS (1). MINES (1).

**NEW LOWS (28)**

AMERICANS (4) Alcoa, American Medical, Cont'l Illinois Corp, Crown Zellerbach.
CANADIANS (2) Brockwater Resources, Trans Can Pipe.
BANKS (1) Westpac.
STORES (1) Bedford (William).
ELECTRICALS (6) BBL, Philips Lamps, Powerline Int Rediffusion, Sigmex Int, United Leasing.
INDUSTRIALS (5) Appledore (A and P), Chira Light, Elkan AS, Nolton, Securicor Group A N-V.
PAPER (2) Conrad Hidge, Crown Int Productions, LCA Hidgs.
TRUSTS (3) Gresham House, Inv AB Beijer A, Ivory and Sime.
MINES (3) Ivanhoe Gold, MIM Hldgs, Western Mining.

## BASE LENDING RATES

| | % | | % |
|---|---|---|---|
| ABN Bank | 10 | Financial & Gen. Sec. | 10 |
| Allied Dunbar & Co | 10 | First Nat. Fin. Corp. | 11 |
| Allied Irish Bank | 10 | First Nat. Sec. Ltd. | 11 |
| American Express Bk. | 10 | ● Robert Fleming & Co. | 10 |
| Amro Bank | 10 | Robert Fraser & Ptrs. | 11 |
| Henry Ansbacher | 10 | Grindlays Bank | 10 |
| Associates Cap Corp. | 10 | ● Guinness Mahon | 10 |
| Banco de Bilbao | 10 | ● Hambros Bank | 10 |
| Bank Hapoalim | 10 | Heritable & Gen. Trust | 10 |
| Bank Leumi (UK) | 10 | ● Hill Samuel | §10 |
| Bank Credit & Comm. | 10 | C. Hoare & Co. | †10 |
| Bank of Cyprus | 10 | Hongkong & Shanghai | 10 |
| Bank of Ireland | 10 | Knowsley & Co. Ltd. | 10½ |
| Bank of India | 10 | Lloyds Bank | 10 |
| Bank of Scotland | 10 | Mase Westpac Ltd. | 10 |
| Banque Belge Ltd. | 10 | Meghraj & Sons Ltd. | 10 |
| Barclays Bank | 10 | Midland Bank | 10 |
| Benchmark Trust Ltd. | 10 | ● Morgan Grenfell | 10 |
| Beneficial Trust Ltd. | 10 | Mount Credit Corp. Ltd. | 10 |
| Brit. Bk. of Mid. East | 10 | National Bk. of Kuwait | 10 |
| ● Brown Shipley | 10 | National Girobank | 10 |
| CL Bank Nederland | 10 | National Westminster | 10 |
| Canada Permanent | 10 | Northern Bank Ltd. | 10 |
| Cayzer Ltd. | 10 | Norwich Gen. Trust | 10 |
| Cedar Holdings | 10 | PK Finans Intl (UK) | 11 |
| ● Charterhouse Bank | 10 | Provincial Trust Ltd. | 11 |
| Citibank NA | 10 | R. Raphael & Sons | 10 |
| Citibank Savings | ¶10¾ | Roxburghe Guarantee | 10½ |
| City Merchants Bank | 10 | Royal Bank of Scotland | 10 |
| Clydesdale Bank | 10 | Royal Trust Co. Canada | 10 |
| Comm. Bk. N. East | 10 | Standard Chartered | 10 |
| Consolidated Credits | 10 | Trustee Savings Bank | 10 |
| Continental Trust Ltd. | 10 | United Bank of Kuwait | 10 |
| Co-operative Bank | *10 | United Mizrahi Bank | 10 |
| The Cyprus Popular Bk. | 10 | Westpac Banking Corp. | 10 |
| Duncan Lawrie | 10 | Whiteaway Laidlaw | 10½ |
| E. T. Trust | 10 | Yorkshire Bank | 10 |
| Exeter Trust Ltd. | 10½ | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

## LONDON TRADED OPTIONS

| Option | | CALLS July | CALLS Oct. | CALLS Jan. | PUTS July | PUTS Oct. | PUTS Jan. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*363) | 300 | 67 | 80 | 92 | 2 | [illegible] | [illegible] |
| | 330 | 38 | 55 | 68 | 4 | [illegible] | [illegible] |
| | 360 | 14 | 32 | 45 | 13 | [illegible] | [illegible] |
| B.P. (*593) | 500 | 97 | 110 | 122 | 1 | [illegible] | [illegible] |
| | 550 | 50 | 70 | 90 | 3½ | [illegible] | [illegible] |
| [illegible] | | | | | | | |

June 30. Total contracts 20,475. Calls 15,170. Puts 5,305. *Underlying security price.

# WORLD STOCK MARKETS

## AUSTRIA

| June 30 | Price Sch. | + or − |
|---|---|---|
| Credit'nst'lt pp | 2,280 | +10 |
| Goesser | 3,450 | +30 |
| Interunfall | 14,550 | ...... |
| Jungbunzlauer | 18,900 | ...... |
| Laenderbank | 2,900 | −10 |
| Perlmooser | 565 | −5 |
| Steyr Daimler | 161 | −2 |
| Veitscher Mag | 11,900 | +510 |

## BELGIUM/LUXEMBOURG

| June 30 | Price Frs. | + or − |
|---|---|---|
| B.B.L. | 3,040 | +40 |
| Banq. Gr'o Lux | 15,650 | +50 |
| Banq. Im.A.Lux | 14,800 | ...... |
| Bekaert | 11,460 | +100 |
| Ciment CBR | 3,920 | −80 |
| Cockerill | 137 | −3 |
| Delhaize | 6,800xr | ...... |
| EBES | 4,440 | +40 |
| Electrobel | 13,025 | −25 |
| Fabrique Nat | 2,250 | −25 |
| GB Inno BM | 7,490 | ...... |
| GBL (Brux) | 3,185 | +25 |
| Generale Bank | 6,010 | ...... |
| Gevaert | 6,040 | +40 |
| Hoboken | 7,520 | +130 |
| Intercom | 3,585 | −15 |
| Kredietbank | 15,475 | +25 |
| Pan Hldgs | 11,550 | ...... |
| Petrofina | 8,460 | ...... |
| Royale Belge | 25,250 | ...... |
| Soc. Gen. Belge | 2,800 | −60 |
| Sofina | 9,990 | −35 |
| Solvay | 7,850 | −30 |
| Stanwick Intl | 460 | ...... |
| Tractionel | 5,690 | −170 |
| UCB | 8,200 | ...... |
| Wagons Lits | 5,490 | +40 |

## DENMARK

| June 30 | Price Knr % | + or − |
|---|---|---|
| [illegible] | | |

## FRANCE

| June 30 | Price Frs. | + or − |
|---|---|---|
| [illegible] | | |

## GERMANY

| June 30 | Price Dm. | + or − |
|---|---|---|
| AEG | 300.5 | −3 |
| Allianz Vers | 2,255 | −60 |
| BASF | 251.5 | −5.5 |
| Bayer | 288.5 | −8.5 |
| Bayer-Hypo | 564 | +5 |
| Bayer-Verein | 549 | +3 |
| BHF-Bank | 508 | −3 |
| BMW | 592 | −6 |
| Brown Boveri | 329 | −1 |
| Commerzbank | 305 | −6 |
| Cont'l. Gummi | 272.5 | −4.5 |
| Daimler-Benz | 1,340 | −54 |
| Degussa | 446 | +3 |
| D'sche Babcock | 160 | −5 |
| Deutsche Bank | 770 | −13 |
| Dresdner Bank | 413.5 | −6.5 |
| Feld-Muehle Nbl | 290 | −4.5 |
| Henkel | 413 | −4 |
| Hochtief | 1,005 | −45 |
| Hoechst | 262.5 | −6.4 |
| Hoesch Werke | 170 | −7.2 |
| Holzmann (P) | 535 | +10 |
| Horten | 192 | −10 |
| Hussel | 532 | +2 |
| Karstadt | 344 | −7 |
| Kaufhof | 463 | −1 |
| KHD | 239.5 | −1.5 |
| Kloeckner | 80 | −1 |
| Linde | 686.3 | −3 |
| Lufthansa | 187 | −11.5 |
| MAN | 211 | −6 |
| Mannesmann | 207.5 | −4.5 |
| Mercedes Hld | 1,201 | −35 |
| Metallgesell | 298 | −4.3 |
| Muench Rueck | 2,790 | −110 |
| Nixdorf | 568.5 | ...... |
| Porsche | 1,020 | −7 |
| Preussag | 190 | ...... |
| Rhein West Elect | 811 | −4.5 |
| Rosenthal | 345 | ...... |
| Schering | 555 | −5 |
| Siemens | 628 | −12 |
| Thyssen | 160.5 | −8.3 |
| Varta | 585 | −14 |
| Veba | 870 | −8.5 |
| V.E.W. | 163 | −8 |
| Verein-West | 466 | ...... |
| Volkswagen | 515.5 | −22.5 |

## ITALY

| June 30 | Price Lira | + or − |
|---|---|---|
| [illegible] | | |

## NETHERLANDS

| June 30 | Price Fls | + or − |
|---|---|---|
| [illegible] | | |

## NORWAY

| June 30 | Price Kroner | + or − |
|---|---|---|
| [illegible] | | |

## SPAIN

| June 30 | Price Pts % | + or − |
|---|---|---|
| [illegible] | | |

## SWEDEN

| June 30 | Price Kronor | + or − |
|---|---|---|
| [illegible] | | |

## SWITZERLAND

| June 30 | Price Frs. | + or − |
|---|---|---|
| [illegible] | | |

## AUSTRALIA

| June 30 | Price Aust.$ | + or − |
|---|---|---|
| [illegible] | | |

## AUSTRALIA (continued)

| June 30 | Price Aust.$ | + or − |
|---|---|---|
| [illegible] | | |

## HONG KONG

| June 30 | Price H.K.$ | + or − |
|---|---|---|
| [illegible] | | |
| Hang Seng Bank | 34.25 | ...... |
| Henderson Land | 2.12 | ...... |
| HK China Gas | 15.7 | −0.1 |
| HK Electric | 8.75 | −0.05 |
| HK Kowloon Wh. | 6.85 | ...... |
| HK Land | 5.65 | −0.05 |
| HK Shanghai Bk. | 5.7 | −0.06 |
| HK Telephone | 11.5 | −0.1 |
| Hutchison Wpa. | 29.0 | ...... |
| Jardine Math | 12.4 | −0.1 |
| New World Dev. | 5.85 | −0.05 |
| SHK Props. | 12.2 | −0.1 |
| Shell Elect | 0.78 | −0.01 |
| Swire Pac A | 11.8 | −0.2 |
| TV—B | 7.3 | −0.05 |
| Winsor Inds. | 5.4 | ...... |
| World Int. Hldgs. | 2.45 | +0.03 |

## JAPAN

| June 30 | Price Yen | + or − |
|---|---|---|
| Ajinomoto | 1,890 | +10 |
| All Nippon Air | 1,050 | +30 |
| Alps Electric | 1,260 | −40 |
| Asahi Chem | 832 | −2 |
| Asahi Glass | 1,280 | −10 |
| Bank Tokyo | 805 | +12 |
| Bridgestone | 709 | +2 |
| Brother Inds | 828 | −7 |
| Canon | 1,020 | +10 |
| Casio Comp. | 1,490 | −10 |
| Chugai Pharm | 1,230 | +50 |
| Daiei | 1,570 | +20 |
| Dai-Ichi Kan. Bk. | 1,560 | ...... |
| Dai Nippon Ink | 455 | −5 |
| Dai Nippon Ptg | 1,920 | ...... |
| Daiwa House | 1,490 | +60 |
| Daiwa Sec. | 1,570 | +10 |
| Eisai | 1,760 | +60 |
| Fanuc | 6,750 | +10 |
| Fuji Bank | 1,520 | −10 |
| Fuji Film | 2,270 | +80 |
| Fujisawa | 1,330 | −10 |
| Fujitsu | 976 | +5 |
| Furukawa Elect. | 476 | −5 |
| Green Cross | 2,250 | +30 |
| Heiwa Real Est. | 1,170 | +70 |
| Hitachi | 873 | +8 |
| Hitachi Credit | 1,810 | +80 |
| Honda | 1,190 | +10 |
| Indl. Bk. Japan | 1,510 | +30 |
| Ishikawajima Hr. | 321 | −1 |
| Isuzu Motor | 382 | +2 |
| Itoh (C) | 895 | +93 |
| Ito. Yokado | 5,940 | +80 |
| JAL | 10,490 | +510 |
| Jusco | 1,630 | +20 |
| Kajima | 910 | +21 |
| Kao Corp | 1,850 | +20 |
| Kawasaki Steel | 179 | −2 |
| Kirin | 1,600 | +50 |
| Kobe Steel | 186 | +2 |
| Komatsu | 497 | +2 |
| Konishiroku | 770 | −5 |
| Kubota | 373 | +1 |
| Kumagai | 834 | +19 |
| Kyocera | 4,170 | ...... |
| Marubeni | 392 | +12 |
| Marui | 2,560 | +60 |
| Mazda Motor | 401 | +5 |
| Meiji Seika | 874 | +98 |
| MEI | 1,490 | +10 |
| M'bishi Bank | 1,880 | +20 |
| M'bishi Chem | 792 | +5 |
| M'bishi Corp | 689 | +36 |
| M'bishi Elect | 365 | +3 |
| M'bishi Estate | 2,090 | +40 |

## JAPAN (continued)

| June 30 | Price Yen | + or − |
|---|---|---|
| MHI | 400 | −1 |
| Mitsui Bank | 1,060 | +20 |
| Mitsui Co. | 519 | +22 |
| Mitsui Estate | 1,990 | +50 |
| Mitsui Toatsu | 342 | −2 |
| Mitsukoshi | 1,920 | +10 |
| NGK Insulators | 941 | +11 |
| Nikko Sec. | 1,150 | −30 |
| Nippon Denso | 1,510 | −10 |
| Nippon Elect | 1,510 | −10 |
| Nippon Express | 869 | +1 |
| Nippon Gakki | 3,140 | −20 |
| Nippon Kogaku | 1,080 | +10 |
| Nippon Kokan | 191 | −3 |
| Nippon Oil | 1,200 | +20 |
| Nippon Seiko | 665 | +9 |
| Nippon Shimpan | 1,240 | +20 |
| Nippon Steel | 179 | +2 |
| Nippon Suisan | 535 | +5 |
| Nippon Yusen | 424 | +5 |
| Nissan Motor | 605 | −5 |
| Nisshin Flour | 820 | +10 |
| Nomura | 2,200 | −10 |
| Olympus | 1,160 | ...... |
| Onoda Cement | 511 | −4 |
| Orient Finance | 1,140 | +20 |
| Orient Leasing | 4,000 | +30 |
| Pioneer | 2,300 | −20 |
| Ricoh | 905 | +1 |
| Sankyo | 1,390 | +10 |
| Sanwa Bank | 1,300 | −30 |
| Sanyo Elect. | 420 | ...... |
| Sapporo | 1,110 | +10 |
| Sekisui House | 1,270 | +50 |
| Seven Eleven | 7,650 | +40 |
| Sharp | 989 | +8 |
| Shimizu Constn | 590 | +10 |
| Shionogi | 1,300 | +30 |
| Shiseido | 2,000 | +50 |
| Showa Denko | 578 | +4 |
| Sony | 3,360 | +10 |
| S'tomo Bank | 1,860 | +20 |
| S'tomo Chem | 412 | −1 |
| S'tomo Corp | 1,020 | +70 |
| S'tomo Elect. | 1,820 | +10 |
| S'tomo Metal | 158 | −3 |
| Taisei Corp | 568 | +5 |
| Taisho Marine | 827 | −3 |
| Taiyo Kobe Bank | 752 | −1 |
| Takeda | 1,630 | +20 |
| TDK | 3,700 | +20 |
| Teijin | 536 | ...... |
| Toa Nenryo | 1,810 | −10 |
| Tokai Bank | 280 | +7 |
| Tokio Marine | 1,310 | ...... |
| Tokyo Elect Pwr | 4,090 | +30 |
| Tokyo Gas | 497 | −7 |
| Tokyu Corp | 866 | +5 |
| Toppan Print | 1,520 | +10 |
| Toray | 890 | −2 |
| Toshiba Elect. | 434 | +2 |
| Toyo Seikan | 2,270 | +70 |
| Toyota Motor | 1,330 | −10 |
| UBE Inds | 282 | −5 |
| Victor | 2,210 | +10 |
| Yamaha | 770 | +30 |
| Yamaichi Sec. | 1,170 | ...... |
| Y'manouchi Phm | 3,070 | −30 |
| Yamazaki | 1,460 | ...... |
| Yasuda Fire | 738 | ...... |

## SINGAPORE

| June 30 | Price $ | + or − |
|---|---|---|
| Boustead Hldgs. | 1.15 | −0.04 |
| Cold Storage | 2.96 | −0.01 |
| DBS | 6.70 | +0.05 |
| Genting | 4.44 | −0.06 |
| Haw Par. Bros. | 2.70 | −0.04 |
| Hong Leong Fin. | 2.40 | −0.02 |
| Inchcape Bhd. | 2.02 | −0.08 |
| Keppel Corp. | 1.53 | −0.07 |
| Malay Banking | 5.82 | −0.18 |
| Malay Utd. Ind. | 1.48 | −0.06 |
| Multi Purpose | 0.57 | ...... |
| OCBC | 7.20 | −0.15 |
| OUB | 2.23 | −0.05 |
| Public Bank | 1.07 | −0.04 |
| Sime Darby | 1.57 | ...... |
| Singapore Air | 7.00 | ...... |
| Singapore Press. | 7.35 | −0.05 |
| Straits Trdg. | 2.88 | −0.11 |
| Tat Lee Bk | 2.48 | −0.05 |
| UOB | 4.00 | −0.04 |

## SOUTH AFRICA

| June 30 | Price Rand | + or − |
|---|---|---|
| Abercom | 8.5 | ...... |
| AE&CI | 11.4 | −0.35 |
| Allied Tech | 71 | ...... |
| Anglo Am. Coal | 32.25 | ...... |
| Anglo Am. Corp | 47 | −0.5 |
| Anglo Am. Gold | 240 | +4 |
| Barclays Bank | 20 | ...... |
| Barlow Rand | 18 | +0.15 |
| Buffels | 80 | +1.5 |
| CNA Gallo | 2.35 | ...... |
| Currie Finance | 3.95 | ...... |
| De Beers | 27.7 | +0.03 |
| Driefontein | 66 | −1.5 |
| F.S.Cons. | 33.25 | +0.75 |
| Gold Fields S.A. | 44.5 | ...... |
| Highveld Steel | 6.95 | ...... |
| Malcor | 10 | +0.3 |
| Nedbank | 6.2 | +0.1 |
| OK Bazaars | 13 | ...... |
| Rembrandt | 68.5 | ...... |
| Rust Plat | 37.25 | +0.75 |
| Safren | 16.75 | ...... |
| Sage Hldgs | 11.25 | +0.25 |
| SA Brews | 10.5 | +0.1 |
| Smith (CG) | 29 | +0.5 |
| Tongaat Hulett | 7.9 | ...... |

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

# CANADA

## TORONTO

*Prices at 2.30pm June 30*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

## MONTREAL

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

F - No voting rights or restricted voting rights

# OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 35

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

# Indices

## NEW YORK DOW JONES

| | June 30 | June 27 | June 26 | June 25 | June 24 | June 23 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1,892.98* | 1,885.26 | 1,880.20 | 1,885.05 | 1,873.55 | 1,864.26 | 1885.9 (6/6/86) | 1502.29 (22/1/86) | 1885.8 (6/6/86) | 41.22 (2/7/32) |
| Transport | 784.00* | 777.50 | 776.12 | 782.13 | 781.13 | 782.38 | 838.84 (31/3/86) | 686.97 (9/1/86) | 838.84 (31/3/86) | 12.32 (8/7/32) |
| Utilities | 200.22* | 198.78 | 195.48 | 193.02 | 191.84 | 189.17 | 193.73 (31/3/86) | 169.47 (22/1/86) | 193.73 (31/3/86) | 10.5 (28/4/42) |
| Trading vol | – | 124.82m | 134.85m | 162.72m | | | – | – | – | – |

| | June 20 | June 13 | June 6 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind Div Yield % | 3.66 | (u) | 3.88 | 4.83 |

## STANDARD AND POORS

| | June 30 | June 27 | June 26 | June 25 | June 24 | June 23 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 280.81* | 278.68 | 277.71 | 277.80 | 276.85 | 274.11 | 278.80 (27/6) | 224.86 (22/1) | 278.60 (27/6/86) | 3.62 (30/6/32) |
| Composite | 251.79* | 249.60 | 248.74 | 248.93 | 247.03 | 245.26 | 249.60 (27/6) | 203.49 (22/1) | 249.60 (27/6/86) | 4.40 (1/6/32) |

| | June 11 | June 4 | May 28 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 2.91 | 2.95 | 2.92 | 3.77 |
| Ind. P/E Ratio | 17.86 | 17.91 | 18.03 | 11.54 |
| Long Gov Bond Yield | – | 7.32 | 7.4 | 10.31 |

## N.Y.S.E. ALL COMMON

| June 30 | June 27 | June 26 | June 25 | 1986 High | 1986 Low |
|---|---|---|---|---|---|
| 485.39* | 143.16 | 142.67 | 142.74 | 142.16 (27/6) | 117.75 (22/1) |

## RISES AND FALLS

| | June 27 | June 26 | June 25 |
|---|---|---|---|
| Issues traded | 1,543 | 1,931 | 1,959 |
| Rises | 871 | 729 | 564 |
| Falls | 659 | 764 | 596 |
| Unchanged | – | 441 | 489 |

## NYSE-Consolidated 1500 Actives

| | Stocks Traded | 3.00p.m. Price | Change on Day | | Stocks Traded | 3.00p.m. Price | Change on Day |
|---|---|---|---|---|---|---|---|
| Bellsouth | 3,878,600 | 63 | +1⅜ | P SVC Ind | 1,299,100 | 12½ | +½ |
| Panhand Pl | 2,427,700 | 48⅝ | −⅛ | Phil Ele | 1,181,600 | 20⅝ | −⅛ |
| Il Power | 2,804,090 | 27 | +⅜ | AT&T | 985,500 | 25⅝ | +⅛ |
| Sanders As | 1,667,200 | 52 | +1½ | ITT Corp | 871,200 | 54⅛ | +½ |
| Schlmb | 1,835,100 | 34⅝ | +⅜ | Safeway | 852,300 | 53⅝ | +⅛ |

Advances 948 Declines 567

## TORONTO

| | June 30 | June 27 | June 26 | June 25 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,181.2* | 2,998.52 | 2,184.5 | 2,133.3 | 2,442.85 (21/3) | 2,025.3 (21/5) |
| Composite | 3,081.6* | 3,076.29 | 3,068.8 | 3,068.2 | 3,129.11 (18/4) | 2,754.0 (17/2) |
| MONTREAL Portfolio | 1,564.17* | 1,562.16 | 1,561.57 | 1,557.46 | 1,623.33 (18/4) | 1,386.6 (22/1) |

* Indicates pre-close figure

| | June 30 | June 27 | June 26 | June 25 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ord. (1/1/80) | 1179.8 | 1183.5 | 1190.1 | 1195.7 | 1247.8 (7/5) | 1018.8 (2/1) |
| Metals & Mnls. (1/1/80) | 496.8 | 504.8 | 509.7 | 509.5 | 602.0 (24/3) | 481.1 (20/5) |
| **AUSTRIA** | | | | | | |
| Credit Bk Aktien (2/1/62) | (u) | 111.29 | 117.03 | 116.42 | 150.69 (25/4) | 110.12 (5/3) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 3675.88 | 3688.92 | 3688.96 | 3678.78 | 3700.16 (24/4) | 2769.91 (15/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 215.02 | 218.18 | 217.8 | 250.70 (18/4) | 214.27 (21/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 355.6 | 355.10 | 358.7 | 353.7 | 411.3 (15/5) | 267.8 (2/1) |
| Ind Tendance (31/12/82) | 136.1 | 135.40 | 135.1 | 135.5 | 154.3 (12/5) | 101.6 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 659.08 | 646.54 | 657.42 | 646.86 | 755.88 (17/4) | 618.54 (27/2) |
| Commerzbank (1/12/53) | 1929.6 | 1961.8 | 1920.1 | 1956.5 | 2278.9 (17/4) | 1865.6 (27/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 1739.11 | 1750.08 | 1760.38 | 1759.71 | 1865.85 (7/5) | 1559.94 (19/3) |
| **ITALY** | | | | | | |
| Banca Comm Ital. (1972) | 665.75 | 665.40 | 684.92 | 871.71 | 908.20 (20/5) | 454.57 (24/1) |
| **JAPAN**** | | | | | | |
| Nikkei (16/5/49) | 17654.2 | 17600.48 | 17600.95 | 17518.65 | 17654.2 (30/6) | 12881.5 (21/1) |
| Tokyo SE New (4/1/68) | 1358.24 | 1350.14 | 1357.84 | 1355.80 | 1358.24 (30/6) | 1025.85 (21/1) |
| **NETHERLANDS** | | | | | | |
| ANP.CBS General (1970) | 288.4 | 291.5 | 291.2 | 290.1 | 292.3 (2/6) | 240.4 (1/5) |
| ANP.CBS Indust (1970) | 285.8 | 287.0 | 284.5 | 285.9 | 287.0 (27/6) | 234.0 (6/5) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 350.45 | 659.50 | 500.7 | 584.6 | 402.81 (16/1) | 352.25 (28/5) |
| **SINGAPORE** | | | | | | |
| Straits Times (30/12/66) | 741.22 | 752.54 | 756.82 | 771.44 | 778.89 (20/5) | 563.54 (28/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | — | 1236.5 | 1249.2 | 1256.1 | 1307.5 (27/1) | 1109.1 (21/4) |
| JSE Indust (28/9/78) | — | 1175.8 | 1175.5 | 1176.1 | 1205.1 (20/5) | 1069.3 (2/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 172.11 | 173.22 | 175.52 | 177.19 | 194.77 (12/5) | 100.83 (3/1) |
| **SWEDEN** | | | | | | |
| Jacobson & P (31/12/56) | 2412.11 | 2438.85 | 2428.45 | 2439.1 | 2451.16 (17/6) | 1729.57 (29/1) |
| **SWITZERLAND** | | | | | | |
| Swiss BankCpn (31/12/58) | 561.4 | 562.7 | 561.1 | 560.2 | 626.5 (8/1) | 554.7 (28/2) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | — | 325.8 | 326.2 | 325.8 | 625.8 (30/6) | 249.8 (23/1) |

** Saturday June 28. Japan Nikkei 17547.42. TSE 1350.66

Base value of all indices are 100 except Brussels SE—5,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.



# LONDON

**Chief price changes (in pence unless otherwise indicated)**

**RISES**

| | | |
|---|---|---|
| Abaco Invs | 75 | +7 |
| BPB Inds | 520xd | +10 |
| Beecham | 430xd | +9 |
| BAe | 535 | +19 |
| Chesh Wholefoods | 201xd | +22½ |
| Cons Gold Flds | 452 | +12 |
| Egerton Trust | 110 | +12 |
| Freemans | 238 | +33 |
| Grattan | 438 | +78 |
| Hambros | 248xd | +20 |
| Hartwells | 100 | +8 |
| Keep Trust | 210 | +15 |
| Kleinwort Benson | 845 | +30 |
| Kode Intl | 235 | +25 |
| Land Securities | 346 | +7 |
| Mercury Intl | 853 | +38 |
| Osbourne & Little | 293 | +33 |
| Pearson | 558 | +23 |
| Pilkington Bros | 425 | +14 |
| Raine Inds | 75 | +7 |
| Rotaflex | 278 | +28 |
| TVS N/V | 278 | +15 |
| Wigfalls | 153xd | +15½ |
| Wiggins Group | 83 | +12 |
| Wight Collins RS | 540 | +23 |

**FALLS**

| | | |
|---|---|---|
| Tr 11% 91 | £109 1/16 | −1¼ |
| Tr 11¾ 03-07 | £119¼ | £1 |
| Blue Arrow | 387 | −9 |
| Next | 252 | −10 |
| Woolworth | 695 | −35 |

*Prices at 3pm, June 30*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES



Continued on Page 35

# NYSE COMPOSITE PRICES

Continued from Page 34

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **X Y Z** | | | | | | | | |
| 72¼ | 45¾ | Xerox | 3 | 5.4 | 13 | 2239 | 30⅛ | 63¼ | 30 | +1 |
| 86¾ | 53½ | Xerox pf3.48 | | 9.7 | | 75 | 58¼ | 55¾ | 58¼ | +¼ |
| 28¾ | 20⅝ | XTRA | .64 | 2.8 | | 512 | 23¼ | 22⅞ | 23 | +½ |
| 17⅞ | 13½ | Yorkin n | | | | 212 | 17⅛ | 16¾ | 17⅛ | +⅛ |
| 39 | 28¼ | ZaleCp 1.32 | | 3.6 | | 204 | 36⅝ | 35½ | 36⅝ | +⅝ |
| 10⅜ | 3½ | Zapata | .03j | | | 1564 | 5⅝ | 5⅛ | 5⅝ | +¾ |
| 43⅞ | 23⅛ | Zayre s | .32 | .7 | 30 | 1249 | 43⅜ | 42 | 23⅛ | +1¼ |
| 17 | 11⅜ | Zemex | .40 | 2.9 | 14 | 10 | 13⅝ | 13¼ | 13⅝ | +⅛ |
| 29⅞ | 16⅛ | ZenithE | | | | 1235 | 25⅞ | 25⅛ | 25⅝ | +¼ |
| 16¼ | 8⅝ | ZenLb s | | | 22 | 1365 | 16⅞ | 16¼ | 16⅝ | +½ |
| 22⅝ | 14⅝ | Zero s | .20 | 1.6 | 17 | 71 | 17⅞ | 17⅝ | 17⅞ | +⅜ |
| 45¾ | 32¼ | Zurnln 1.32 | | 3.5 | 14 | 223 | 38¼ | 37⅞ | 38¼ | +⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*Prices at 3pm, June 30*

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

Continued on Page 33

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### WALL STREET

# Speculation on rates spurs rally

THE BELIEF that the Federal Reserve will cut the discount rate soon ahead of any interest rate moves by Japan or West Germany triggered a rally on Wall Street yesterday, *writes Paul Hannon in New York.*

At 3pm the Dow Jones industrial average was up 10.55 at 1,895.81.

Yesterday was the first time that the Dow had been quoted above the 1900 level. The previous record close of 1,885.90 was established on June 8.

The takeover arena, which accounted for much of the market's activity last week, continued to attract investor attention.

Panhandle Eastern, busy in late trading on Friday, opened with a gain of $1¼ to $49¾ after the board revealed a $50 per share takeover offer from Star Partners. Panhandle later reduced that gain to $¾ in very heavy trading.

Loral, a defence contractor, advanced a further $1¼ to $44½ after last week's offer to acquire Sanders Associates for $44 per share. Sanders, rejecting the bid as inadequate and laying the groundwork for a bidding war, rose $¾ to $50⅞.

Other features in the defence technology sector included Boeing's $1⅛ gain to $63⅛, partly attributed to the aerospace group's sale of 7 more 737-300s to USAir, and Raytheon's $1¾ advance to $63. Northrop picked up $1 to $49⅞.

Among leading blue chips, IBM firmed $⅞ to $147⅞ after an early loss of $⅛, while General Motors at $77⅛ was $⅝ higher. Philip Morris added $1 to $75¾.

In the drugs sector, solid gains were scored as Merck put on $⅝ to $104, while Upjohn at $92¾ was $1½ stronger. Eli Lilly managed a $1 advance to $80⅝, while Syntex traded $1⅞ up at $72⅜.

Oils were uneasy amid reports that the latest Opec meeting had failed to formulate a price stabilising strategy, which, according to some analysts, could lead to another sharp fall in crude oil prices later this year.

Amoco retreated $¾ to $61¼ and Chevron lost $⅞ to $38. Atlantic Richfield slipped $¾ to $52¼ while Exxon edged $⅛ lower to $60⅞.

The prospects of a cut in the discount rate had a dampening effect on bank issues. BankAmerica gave up $⅛ to $15⅝ in thin volume, while Chase Manhattan lost $⅛ to $44⅜.

Data General traded $1 higher at $34⅜ as the group revealed plans for further job cuts in its global restructuring. Scott Paper, the tissue and paper towel maker, held unchanged at $59 after an early loss of $⅛, while Hammermill Paper reversed an early drop of $¾ to trade unchanged at $42¾ after forecasting strong results for the year.

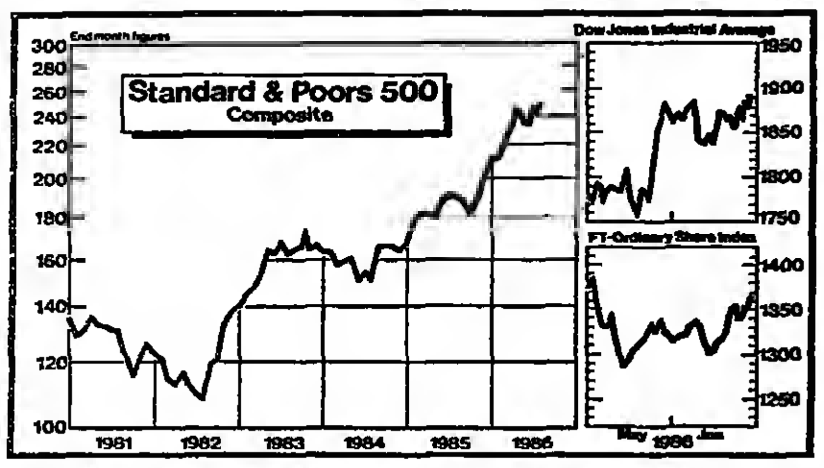
On the American Stock Exchange, Wickes was actively traded $⅛ higher to $6 while Lorimar Telepictures dipped $⅜ to $31¼.

Bonds firmed on the prospects of a discount rate cut with gains of ⅛ to ⅜ in US Treasuries.

A firmer federal funds rate of 7⅜ per cent was partly attributed to end-of-quarter pressure and the settlement of $9.75bn of two-year Treasury notes sold on June 18 and $7.25bn of four-year notes sold on June 24.

The Treasury's bellwether 7¼ per cent long bond traded 3/32 higher at 99 21/32 while the 7¼ of 1996 rose 7/32 to 100 5/32.

The three-month Treasury bill shed 2 basis points to 5.95 per cent, while the six-month issue fell 8 basis points to 5.96 per cent. At 6.04 per cent the one-year Treasury bill was three basis points lower.




### STOCK MARKET INDICES

| NEW YORK | June 30 | Previous | Year ago |
|---|---|---|---|
| DJ Industrials | 1,895.81* | 1,885.26 | 1,335.46 |
| DJ Transport | 782.25* | 777.50 | 664.09 |
| DJ Utilities | 199.99* | 198.78 | 164.85 |
| S&P Composite | 251.79* | 249.60 | 191.65 |
| **LONDON** | | | |
| FT Ord | 1,367.1 | 1,354.4 | 952.5 |
| FT-SE 100 | 1,649.8 | 1,639.1 | 1,234.9 |
| FT-A All-share | n/a | 808.78 | 612.99 |
| FT-A 500 | n/a | 891.07 | 668.86 |
| FT Gold mines | 202.5 | 198.5 | 420.6 |
| FT-A Long gilt | n/a | 9.34 | n/a |
| **TOKYO** | | | |
| Nikkei | 17,654.19 | 17,500.43 | 12,882.0 |
| Tokyo SE | 1,359.24 | 1,350.14 | 1,026.41 |
| **AUSTRALIA** | | | |
| All Ord. | 1,179.6 | 1,183.8 | 860.8 |
| Metals & Mins. | 496.6 | 504.6 | 502.0 |
| **AUSTRIA** | | | |
| Credit Aktien | n/a | 117.29 | 103.15 |
| **BELGIUM** | | | |
| Belgian SE | 3,675.88 | 3,680.92 | 2,314.71 |
| **CANADA** | | | |
| Toronto | | | |
| Metals & Minls | 2,101.2* | 2,098.52 | 1,698 |
| Composite | 3,081.8* | 3,070.20 | 2,712.5 |
| Montreal | | | |
| Portfolio | 1,564.17* | 1,562.18 | 132.22 |
| **DENMARK** | | | |
| SE | 215.67 | 215.02 | 197.87 |
| **FRANCE** | | | |
| CAC Gen | 355.60 | 355.10 | 225.7 |
| Ind Tendance | 135.10 | 133.40 | 82.2 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 639.09 | 645.34 | 482.90 |
| Commerzbank | 1,929.60 | 1,951.6 | 1,425.5 |
| **HONG KONG** | | | |
| Hang Seng | 1,739.11 | 1,750.98 | 1,570.61 |
| **ITALY** | | | |
| Banca Comm. | 665.75 | 665.40 | 332.64 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 289.40 | 291.5 | 213.6 |
| ANP-CBS Ind | 285.90 | 287.0 | 178.0 |
| **NORWAY** | | | |
| Oslo SE | 360.45 | 353.30 | 326.55 |
| **SINGAPORE** | | | |
| Straits Times | 741.22 | 752.34 | 782.69 |
| **SOUTH AFRICA** | | | |
| JSE Golds | – | 1,236.3 | 995.4 |
| JSE Industrials | – | 1,175.0 | 950.2 |
| **SPAIN** | | | |
| Madrid SE | 172.11 | 173.22 | 78.55 |
| **SWEDEN** | | | |
| J & P | 2,412.11 | 2,436.85 | 1,333.96 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 561.40 | 562.7 | 446.3 |
| **WORLD** | June 27 | Prev. | Year ago |
| MS Capital Int'l | 325.6 | 325.2 | 215.4 |

### COMMODITIES

| (London) | June 30 | Prev |
|---|---|---|
| Silver (spot fixing) | 329.30p | 331.45p |
| Copper (cash) | £915.50 | £874.50 |
| Coffee (September) | £1,707.00 | £1,684.50 |
| Oil (Brent blend) | $11.20 | $11.65 |

### GOLD (per ounce)

| | June 30 | Prev |
|---|---|---|
| London | $347.50 | $344.00 |
| Zurich | $347.55 | $344.65 |
| Paris (fixing) | $345.56 | $344.29 |
| Luxembourg | $346.00 | $343.80 |
| New York (Aug) | $347.70 | $346.90 |

### CURRENCIES

| | US DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | June 30 | Previous | June 30 | Previous |
| $ | – | – | 1.5325 | 1.5295 |
| DM | 2.2015 | 2.2045 | 3.375 | 3.3725 |
| Yen | 163.70 | 165.45 | 250.75 | 253 |
| FFr | 7.02 | 7.03 | 10.7575 | 10.7525 |
| SFr | 1.7955 | 1.8075 | 2.7525 | 2.765 |
| Guilder | 2.475 | 2.425 | 3.7925 | 3.79 |
| Lira | 1,508 | 1,511 | 2,311 | 2,311 |
| BFr | 44.90 | 45.15 | 68.80 | 69.05 |
| C$ | 1.3865 | 1.3885 | 2.125 | 2.12025 |

### INTEREST RATES

| Euro-currencies (3-month offered rate) | June 26 | Prev |
|---|---|---|
| £ | 9⅝ | 9⅝ |
| SFr | 5 5/16 | 5⅜ |
| DM | 4⅝ | 4⅝ |
| FFr | 7 1/16 | 7⅛ |
| FT London Interbank fixing (offered rate) | | |
| 3-month US$ | 6¾ | 6 11/16 |
| 6-month US$ | 6¾ | 6 11/16 |
| US Fed Funds | 7⅜* | 6⅞ |
| US 3-month CDs | 6.50* | 6.525 |
| US 3-month T-bills | 5.955* | 6.16 |

### US BONDS

| Treasury | June 30 Price | June 30 Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 7¼ 1988 | 100 3/32 | 6.87 | 100⅛ | 6.886 |
| 7¼ 1993 | 99 29/32 | 7.16 | 99 24/32 | 7.365 |
| 7¼ 1996 | 100 7/32 | 7.32 | 99 29/32 | 7.409 |
| 7¼ 2016 | 100⅜ | 7.23 | 98 29/32 | 7.343 |

*Source: Harris Trust Savings Bank*

**Treasury Index**

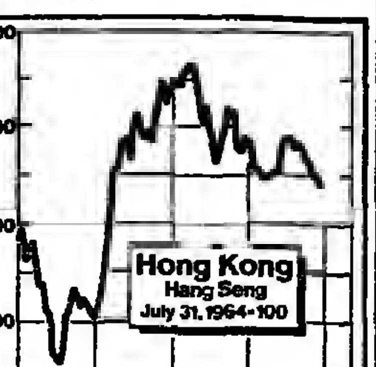
| Maturity (years) | Return index June 30* | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 152.34 | +0.33 | 7.47 | –0.04 |
| 1–10 | 144.72 | +0.15 | 7.30 | –0.04 |
| 1–3 | 136.24 | +0.12 | 7.00 | –0.05 |
| 3–5 | 146.60 | +0.20 | 7.49 | –0.04 |
| 15–30 | 179.74 | +0.99 | 8.02 | –0.05 |

*Source: Merrill Lynch*

### FINANCIAL FUTURES

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** | | | | |
| 8% 32nds of 100% | | | | |
| Sept | 99–09 | 99–24 | 99–07 | 99–04 |
| **US Treasury Bills (IMM)** | | | | |
| $1m points of 100% | | | | |
| Sept | 94.39 | 94.42 | 94.38 | 94.35 |
| **Certificates of Deposit (IMM)** | | | | |
| $1m points of 100% | | | | |
| Sept | 93.80 | 93.80 | 93.60 | 93.73 |
| **LONDON** | | | | |
| **Three-month Eurodollar** | | | | |
| $1m points of 100% | | | | |
| Sept | 93.44 | 93.46 | 93.43 | 93.40 |
| **20-year Notional Gilt** | | | | |
| £50,000 32nds of 100% | | | | |
| Sep | 121–17 | 122–10 | 121–08 | 122–05 |

* Latest available figures




### LONDON

# Slow start to new account

LEADING shares edged forward slowly on the opening session of a new trading account in London.

Many current takeover favourites benefited from early confirmation of last week's reports that Grattan, up 76p at 532p, was to merge with Next, down 10p at 252p.

The FT Ordinary index settled 12.7 higher at 1367.1 and the FT-SE 100 index ended 10.7 firmer at 1649.8.

The prospect of base rates remaining high for longer than recently envisaged proved a dampener to Government stocks and in an overstocked market, longer maturities fell a point. The shorts sustained losses ranging to ½ but index-linked steadied after Friday's marked decline.

*Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30-31*

### HONG KONG

A LATE WAVE of institutional selling, particularly by large European fund management houses, depressed the Hong Kong market and left the Hang Seng index down 11.87 at 1,739.11.

Some of the greatest weakness was seen in the property sector. Cheung Kong dropped 20 cents to HK$20.40, Hongkong Land 5 cents to HK$5.65 and Sun Hung Kai Properties 10 cents to HK$12.20.

Ka Wah Bank shed 90 cents to HK$3.90 having traded between HK$3.50 and HK$4.80. The wide spread was attributed to a lack of shares in the market. Only 5 per cent of the bank's stock is in public hands compared with about 20 per cent for most other listed companies.

Trading was a thin HK$239m, compared with Friday's HK$338m as the holiday season began to take its toll.

### AUSTRALIA

CONTINUING nervousness over the outlook for the economy and the local currency left Sydney easier on the final day of the financial year with the All Ordinaries index down 4.2 at 1,179.3.

CSR put on 15 cents to A$3.40 with a hefty 12.2m shares traded. The activity was said to be the aftermath of a raid late on Friday by a Sydney broker who bought 10m shares off-market in Melbourne.

Mining stocks continued their slide amid speculation that a tax on gold mining might still be introduced and on market reports that Elders Resources planned to sell its 15 per cent stake in Kidston for about A$112m. Kidston eased 24 cents to A$6 and Elders Resources was 6 cents lower at 98 cents.

### SINGAPORE

A ROUND of profit-taking and the absence of fresh factors to stimulate demand left Singapore lower with the Straits Times industrial index down 11.12 at 741.22.

Some Central Provident Fund investors were also unwilling to take delivery of stocks and were selling holdings.

United Industries, which has made a takeover bid for Intraco was the most actively traded stock on 1.11m shares. It closed unchanged at S$2.10 while Intraco shed 3 cents to S$1.97.

### SOUTH AFRICA

GOLD SHARES were mostly firmer in moderate Johannesburg trading, in line with a firmer bullion price, but there were some distortions as a result of shares trading ex-dividend.

Vaal Reefs put on R7 to R232 and Elandsrand added 75 cents to R21 but Harties fell 80 cents to R13 ex-dividend.

Other mining stocks followed the trend with De Beers up 30 cents at R27.70 and Rustenburg Platinum 75 cents at R37.25.

### CANADA

A BROADLY-BASED advance was seen in Toronto in moderate trading.

Among actively traded industrials, Pagurian put on C$¾ to C$16¼, Canadian Pacific C$⅛ to C$17, while among oils, Imperial Oil rose C$½ to C$36½ and Total Petroleum North America gained C$⅝ to C$27¼. In the opposite direction, Dome shed 5 cents to C$1.17.

### TOKYO

# Back into record territory

MEDIUM-PRICED issues and stocks that have recently lagged the market found brisk demand towards the close in Tokyo yesterday, driving share prices to a record high for the first time in three days, *writes Shigeo Nishiwaki of Jiji Press.*

But buying interest in large-capital steels and shipbuildings dwindled.

The Nikkei average gained 106.77 to 17,654.19. Volume was sharply down to 634m shares from Friday's 1,156m. Advances outran declines by 511 to 335, with 122 issues unchanged.

Despite the strong performance, concern over the high price levels continued. Investors were also growing cautious about the prospects for the ruling Liberal-Democratic Party in Sunday's elections for both houses of the Diet (Parliament).

Trading houses were at the top of the shopping list. Mitsui was active, rising Y22 to Y519, while Mitsubishi rose Y36 to Y889 and C. Itoh Y23 to Y595.

Marubeni and Sumitomo rose Y19 and Y70 to Y392 and Y1,020 respectively, supported by lower interest rates and their moves into the information business.

Motor-related stocks were generally higher. Koito Mfg rose Y34 to Y677, bolstered by its development of a new auxiliary side lamp for cars.

Toyoda Tsusho gained Y22 to Y730, helped by rumours of speculative demand, while Sanden advanced Y30 to Y1,050 on suggestion of an inflow of "political funds" buying into it.

Domestic-oriented blue chips were steady, with Yamato Transport, Shiseido and Lion each adding Y50 to Y1,340, Y2,000 and Y1,180, respectively. Interest in the issues was fuelled by speculation about impending purchases by investment trusts. Another factor was their apparent lag behind issues related to the Government's fiscal investment and loan programme, property and domestic-oriented blue chips.

Low-priced, large-capital stocks, the target of institutional investors since the beginning of June, are gradually losing popularity. Ishikawajima-Harima Heavy Industries, although topping the active list with 57.10m shares, dipped Y1 to Y321.

Bond prices got off to a steady start on investor expectations for lower US interest rates, but turned easier later as selling increased gradually.

The benchmark 6.2 per cent government bonds, maturing in July 1995, rose to 4.780 per cent from Saturday's 4.745 per cent, while the 5.1 per cent bonds, falling due in March 1996, yielded 4.905 per cent, up from 4.900 per cent.

The dealing sections of some banks and institutional investors actively bought the 5.1 per cent bonds, which will be listed on the Tokyo stock exchange on July 5. But many dealers were sceptical about the continuation of popularity because of their low coupon rate.

### EUROPE

# Nerves are overcome in Milan

THE SLIDE in **Milan** came to a halt yesterday after Friday's nervousness in the wake of the government crisis which prompted the resignation of Socialist Premier Bettino Craxi's coalition.

The market opened at Friday's lower level – on that day the Banca Commerciale index dropped 19.52 points to 665.40, while the Milan Stock index slumped 44 points to 1,490. But most of the reaction appeared to have been dealt with and prices ended barely changed on the day.

Milan has fallen by about 27 per cent since May 20 after a boom which lasted for around 16 months.

A note of optimism was injected into trading by the Bank of Italy announcement that payment of the June trading month operations had been completed without problems.

June cost of living figures show a continued fall in the inflation rate, now at 6.3 per cent.

The market leader Fiat retreated L225 to L11,475 and elsewhere among industrials Montedison eased L43 to L3,249, while Snia BPD shed L106 to L5,044.

**Paris** was firmer in late trading as advances led declines 104 to 71, but a late rise in the overnight call money rate to 7⅛ per cent limited gains to a narrow range.

Features included Sreg, down FFr 13.10 at FFr 59 after a rights issue, and Total, down FFr 21 at FFr 361 ex-rights and dividend. Avions Dassault remained about 3 per cent higher on balance at FFr 1,240, up FFr 35.

Construction issues were up. Bouygues led the sector with a FFr 42 jump to FFr 1,172, Maisons Phenix rose FFr 17 to FFr 247, while Lafarge-Coppée added FFr 19 to FFr 1,300.

The Government announced plans to limit the holdings of foreign companies to 15 per cent when 65 state-sector groups are privatised.

**Frankfurt** fell on profit-taking as investors reacted pessimistically to government plans to sell its holdings in Veba and VW. The Commerzbank index dropped 22 to 1,929.6.

Veba, the diversified utility conglomerate, dropped DM 6.50 to DM 270, while VW tumbled DM 22.50 to DM 515.50 on worries about the expected DM 5bn worth of shares that Bonn plans to put on to the market in 1987.

Despite Bundesbank President Karl Otto Pöhl's remarks in Zurich that central bank money supply growth had slowed recently and that "good news" would come out of Thursday's Bundesbank meeting, uncertainties continued over the direction of domestic interest rates.

As a result, financial issues were marked down. Deutsche Bank dropped DM 13 to DM 770, Dresdner dipped DM 6.50 to DM 413.50 and Commerzbank gave up DM 6 to DM 303.

Trading in bonds was quiet and prices ended barely changed with gains of 10 basis points balanced by similar losses. The Bundesbank sold DM 33.7m worth of paper after selling DM 91.1m on Friday.

**Amsterdam** was also lower, dampened by the holiday period, continuing negotiations for a new Dutch government and selling ahead of the close of half-year accounts.

Royal Dutch dipped below the Fl 200 threshold, giving up Fl 1.70 to Fl 199.30 while Unilever shed Fl 1.50 to Fl 483.

Bond trading was uneventful with prices mostly steady.

**Zurich** recovered from a lower start as optimism over a drop in money rates fuelled a late rise. Prices picked up earlier losses to end mostly unchanged.

Bonds ended a quiet session mixed on low turnover.

**Brussels** was marginally easier on dull holiday trade, unperturbed by the threat of renewed industrial unrest over government spending cuts after summer.

**Oslo** staged a recovery after last week's lower trend. **Stockholm** ended lower as investors escaped to their summer retreats and **Madrid** declined on routine trading.